







MAFUBE LOCAL MUNICIPALITY

Annual Report 2009/10

MAFUBE LOCAL MUNICIPALITYACKNOWLEDGEMENTS

This annual report is published by the Mafube Local Municipality. It reviews all activities of the municipality for the period July 2009 to June 2010. Every effort has been made to ensure that the facts are correct.

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MAFUBE LOCAL MUNICIPALITY

FOREWORD BY THE MAYOR



Mayor Madala Ntombela

Herewith our Annual Report for the period July 2009 to June 2010. We submit this Annual Report as the current Council enters the last year of its term. At the beginning 2009/2010 we outlined a number of strategic priorities for the municipality within the framework of our IDP. These included consolidation of internal structures and systems, build capacity for accelerated implementation of the IDP, continue to build sustainable communities, grow the local economy and create jobs, improve the delivery of basic services and build a financially viable municipality.

As we enter the last mile of our term, we have every reason to believe that we have done very well in relation to those priorities with limited resources. As expected, we have ensured that the IDP was revised to ascertain that we continued to have a strategic framework to guide the budget, development and operations in the municipality. The IDP continues to serve as a critical vehicle for social cohesion, maximum participation of the community as well as active involvement of the communities in their own development.

Again, within limited resources, we continued to improve our infrastructure and deliver services to the communities in keeping with our constitutional mandate. This year alone we have ensured that 100% of the capital budget allocated and grants received was spent. The money went towards rehabilitation of infrastructure and extension of services to our people. This has resulted in many of our households having increased access to basic water and sanitation, electricity and public lighting and refuse removal while substantial improvements were made to internal roads in various parts of Mafube..

Various measures have also been taken to improve and deliver social services to our people. We have made great strides in making sure that we build recreational facilities such as the theme/multi-purpose parks in Frankfort and Tweeling. We continued to make improvements to our sports and recreational facilities, libraries and cemeteries. A number of other community services and special programmes have also been implemented as part of the broader social development agenda. These included the HIV interventions. This is in recognition of the fact that HIV/AIDS remains one of the biggest challenges we face today. The pandemic threatens lives and deepens poverty in many ways as it creates many child-headed households, affects productivity and increases high mortality rate among young economically active citizens in our country. It is for this reason that we are looking at the possibility of employing a Manager in the Office of the Mayor and Special Programmes Officer to focus on special programmes, especially HIV/Aids.

Further, we have managed to put measures in place to increase revenue collection, improve financial management systems and capacity in our drive to improve overall viability of the municipality. We concede that more can still be done to set the municipality on a solid footing, financially. But we are also happy to announce that groundbreaking ceremonies have been made to usher in big factories such as the Paper Mill in Frankfort and the initiative of Sea Lake industries in Villiers.

As we move close to the last leg of our term, I believe that we have laid firm basis for a sustainable municipality in the medium to long term. Working together with our communities with limited resources, I believe that we continue to make steady progress towards better life for all in Mafube. We are looking forward to frequent public meetings with the community of Mafube for the betterment of relations in our communities.

I would like to thank the community, fellow councilors, management and staff, the District Municipality and other stakeholders for continuing to work with us to realize better life for all.

Indeed, together we can do more.

Cllr Madala Ntombela
Mayor

FOREWORD BY THE ACTING MUNICIPAL MANAGER



Mr Puseletso I Radebe

It is again with great sense of pleasure that we present our 2009-2010 Annual Report. The Report represents an honest reflection on the work done, challenges and achievements during the period under review.

The 2008-2009 Annual Report showed how the municipality was starting to embed the new structures and systems and laying bases for a robust organization ready to deliver on its mandate. This year the Report will reflect on the further maturation of our systems as we come to the maturation point of the sustainability phase of our local government transformation project.

The Report will also reflect on the performance of our various programmes as we endeavor to meet the needs of our people articulated in our IDP. It will show significant strides made in:

- Strengthening our structures and consolidating our systems;
- Creating a vibrant organization and accelerating transformation;
- Stabilizing finances and ensuring viability;
- Accelerating the delivery of basic services;
- Stimulating the economy and creating jobs;
- Providing housing and integrating our communities;
- Providing various community services to our people; and
- Promoting good governance and deepening democracy.

Important achievements have been made in the above regard. Obviously these could not have been possible without the support of our political leadership and staff. I would therefore like to convey my sincere gratitude to the Mayor, the Executive Committee and the entire Council for visionary and incisive leadership and guidance as well as our staff for selfless dedication to the task at hand.

As we move forward, we will take note of the weaknesses and challenges identified in our work to ensure all round improvement in the coming year. We owe this to the community we are meant to serve.

Together with Council, I am certain that we will rise to the occasion and succeed in our mission to bring a better life to all the people of Mafube.

Puseletso I Radebe
Acting Municipal Manager



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CHAPTER 1: Introduction and Overview of the Municipality

Introduction

The Mafube Local Municipality is one of the local municipalities found within the Fezile Dabi District Municipality. The municipality was established in terms of the section 12 of the Municipal Structures Act, 1998 and following the local government elections of 2000. The municipality is made up of four towns, namely, Frankfort, Villiers, Cornelia and Tweeling. Frankfort, serves as a home for the headquarters of the municipality.

Loosely defined, Mafube is a South Sotho word for 'a place of dawn'.

1.1 Governance Structures

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The municipality has a Council made up of 17 Councillors. Nine (9) of the Councillors are Ward Councillors while eight (8) are drawn from the proportional representative list.

Below is a list of Councillors making up the Council of Mafube Local Municipality:

Name	Party	Ward	Proportional Representative
Louis Madala David Ntombela	ANC	8	
Mildred Thandi Moloi	ANC		PR
Jabulane Jan Hlongwane	ANC	2	
Charles Kanono	ANC		PR
Lucky Simon Kubheka	ANC	9	
Mthokozisi Pasco Memeza	ANC	3	
Daniel Mfene	ANC	7	
Malefu Selina Mokoena	ANC		PR
Mahlale Jackson Moloi	ANC	6	
Madise Andries Mosia	ANC	4	
JJ Pretorius	DA		PR
Maleseli Maria Sekhoto	ANC		PR
Jabulane Elliot Sigasa	ANC	1	
Meleli Edward Skosana	ANC		PR
Jabulane Patric Tshabalala	PAC		PR
Dina Tshabalala	ANC	5	
Daniel Pieter v/d Westhiuzen	FF		PR

The Council established an Executive Committee comprising the following members to provide leadership and guidance to the administration between Council meetings:

Name	Designation
LMD Ntombela	Mayor
JE Sigasa	Member, Cornelia
JJ Hlogwane	Member, Frankfort
JJ Pretorius	Member, Frankfort

The municipality has also established Ward Committees in all the 9 wards within the area of jurisdiction of Mafube. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes. In addition, the municipality has also established other fora to ensure structured engagement with the community and other key role players. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

1.2 Geographic Profile

The Mafube Local Municipality is situated in the far eastern end of the Fezile Dabi region. The municipality covers a total of 21,5% of the total area of Fezile Dabi region. The municipality is made up of four main towns, namely; Frankfort, Villiers, Cornelia and Tweeling.

Frankfort, which serves as headquarters for the municipality, is situated 55 kilometres east of Heilbron and approximately 120 kilometres south east of Sasolburg.

Villiers is situated at the banks of the Vaal River, adjacent to the N3 National Road linking Gauteng to KZN. The town is located about 120 kilometres from Johannesburg, 80 kilometres from Vereeniging and 117 from Sasolburg.

Cornelia is situated about 157 kilometres east of Sasolburg and 36 kilometres south east of Villiers. The town is also adjacent to the R103 road between Warden and Villiers.

Finally, Tweeling is situated about 150 kilometres east of Sasolburg and is within 160 kilometres of major urban centres like Vereeniging and Vanderbijlpark.



Map of Mafube

2.3 Demographic profile

Mafube has a population size estimated at 57650. Frankfort makes the largest part of the total population in the area.

Below is a breakdown of the population by area.

Area	Numbers	%
Area	Numbers	%
Franfort / Namahadi	21 316	37.0
Villliers / Qalabotjha	18 229	31.6
Tweeling / Mafahlaneng	5 362	9.3
Cornelia / Ntswanatsatsi	3 378	5.9
Mafube rural	9 365	16.2
TOTAL	57 650	100.0

Table 2.3.1 (b): Estimated population and economic contributions of sub-area in Mafube Sources: Statistics South Africa, 1996 and 2001; Free State Growth and Development Strategy, 2006

The following comments should be made in respect of the figures above.

- Between 1996 and 2001, population growth in Mafube (1.6% per annum) was higher than that of the Free State (0.6% per annum).
- All urban areas grew at considerable rates for the period under consideration. Yet, there was a considerable decline in the rural population of 10.3% per annum over the past 5- year period. This can, amongst others, be attributed to the liberalisation of agriculture in South Africa. It should also be seen in association with the decline of agriculture in Mafube (to be discussed later).
- The highest annual population growth rate was in Villiers with an annual growth rate of 11%. Tweeling and Cornelia also experienced relatively high levels of population growth

1.3 Economic profile

This section provides an overview of the economic profile of Mafube. The analysis starts off with a broad comparison of economic change in the Free State and Fezile Dabi while at the same time emphasising the situation in Mafube (see table below).

Area	Annual Growth Rate (1996 – 2004)
Mafube	0.5%
Fezile Dabi	2.1%
Free State	0.7%
South Africa	2.8%

Table 2.5: Annual economic growth rate in Mafube, Fezile Dabi and the Free State, 1996 – 2008 Source: Free State Growth and Development Strategy, 2006; Quantec Database, 2007

The economy of Mafube grew by 0.5% per annum between 1996 and 2004. This was significantly less than the annual economic growth rate of 2.1% per annum for the district, 0.7% per annum for the Free State and 2.8% per annum in South Africa for the same period.

1.4 Total economy as share of the district economy

This low growth relative to that of the district has resulted in a decreased share, for Mafube of the district economy (see Figure 1.4.1).

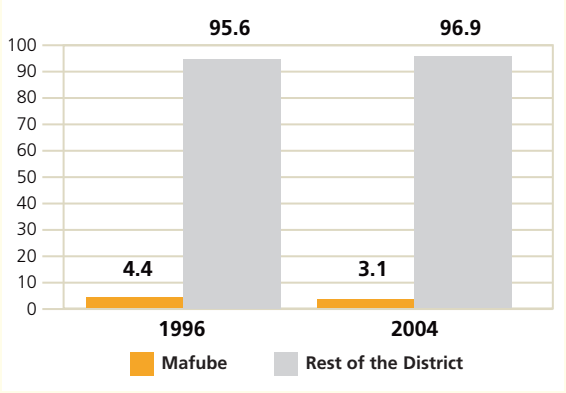


Figure 1.4.1: Percentage share of Mafube of the district economy (GDP), 1996 and 2004 (Source: Quantec Database, 2007)

It is evident from Figure 2.5.1 that the proportional contribution of Mafube decreased between 1996 and 2004. In 1996, Mafube contributed to 4.4% of the Free State economy. This decreased to 3.1% in 2004.

1.5 Percentage of economic contributions

Having considered the relative contribution of Mafube to the district economy, the focus is redirected in this section to the relative contributions made to the economy by the respective municipal areas in Fezile Dabi (see Figure 1.4.2) and the relative sectoral contributions in Mafube, Fezile Dabi and the Free State (Table 1.4.3).

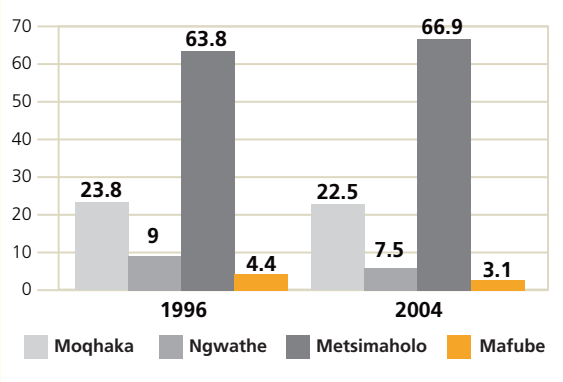


Figure 1.4.2: The relative economic contribution for the four municipalities in Fezile Dabi, 1996 and 2004 (Source: Quantec Database, 2004)

Economic Sector	Mafube		Fezile Dabi		Free State	
	1996	2004	1996	2004	1996	2004
Agriculture	22.2	13.9	6.2	3.5	6.5	4.3
Mining	0.5	0.7	5.4	4.4	13.5	8.0
Manufacturing	24.5	24.0	45.8	51.7	21.0	25.0
Construction	4.3	4.5	4.3	2.5	4.0	3.0
Water	1.0	0.7	4.5	3.7	3.4	2.8
Transport	3.3	7.0	5.2	6.6	7.7	10.9
Trade	7.7	9.0	7.6	7.5	12.2	13.7
Finance	12.1	12.1	7.0	6.8	11.3	11.2
Community Services	24.4	28.1	13.9	13.5	20.5	20.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 1.4.3: Proportional contribution of the economic sectors in Mafube, Fezile Dabi and the Free State Source: Quantec database

The following should be noted in respect of the sectoral contributions:

- The relative contribution of agriculture has decreased rapidly, and then more significantly in Mafube than in the district or the Free State. While one should caution against assessing this sector on the information on yearly basis, the declining importance of agriculture in the economies should nevertheless be acknowledged.
- A second important comparison in the above data is the relative importance of manufacturing in Mafube. Nearly one quarter of the economy in Mafube is dependent on manufacturing – mainly linked to the agricultural economy in and around Frankfort. Yet, the share of the manufacturing economy in Mafube is still significantly smaller than the share in the district – where the petro-chemical industry dominates in Metsimaholo.
- Sectors in which remarkable proportional gains are reported are trade, transport and community vices.

1.6 Employment per sector

Table 1.4.4 provide an overview of employment per economic sector and for each of the four local municipalities in the Fezile Dabi District.

1.7 Poverty levels and HDI

The Free State growth and development strategy recorded the percentage of people living in poverty in Mafube at 77%, with unemployment lying at 33.8% in 2004. The HDI was estimated at 0.54 in 2004.

Economic Sector	Mafube		Fezile Dabi		Free State	
	1996	2004	1996	2004	1996	2004
Agriculture	3908	2132	23924	17402	109366	89406
Mining	87	74	5651	3252	91364	17402
Manufacturing	693	534	14981	14019	53174	50679
Construction	382	255	4600	3024	23153	15168
Water	33	20	831	626	3008	2443
Transport	147	78	2365	1470	14317	8598
Wholesale	821	1074	8981	11057	56284	64532
Finance	345	711	4672	6949	32270	45275
Community services	3026	2716	30124	28863	181961	176573
Total	**9441**	**7595**	**96129**	**86661**	**564897**	**470073**

Table 1.4.4: Employment profile per economic sector in Mafube, Fezile Dabi and the Free State, 2004. Source: Quantec Database, 2007

CHAPTER 2: Leadership and Management

Council Leadership



Back Row: D Tshabalala, J Hlongwane, MM Sekhoto, MS Skhosana, MJ Moloi, MA Mosia, L Khubeka
Front Row: JE Sigasa, LMD Ntombela (Mayor), MT Moloi (Speaker)

Executive Management



Mr PI Radebe
Acting Municipal Manager



Ms N Radebe
Manager: Land Use and Human Settlements



Ms Z Mofokeng
Manager: Community Services



Ms Z Xamesi
Manager: Technical Services



Mr NN Molefe
Acting CFO



Mr S Malindi
Acting Manager: Corporate Services

CHAPTER 3: Vision, Mission and Mandate

VISION

A viable, developed and sustainable municipality.

MISSION

To provide effective, transparent government and ensure efficient, affordable and sustainable service delivery, promote integrated development and economic growth.

MANDATE

As provided for in section 152 of the Constitution:

- To provide democratic and accountable governance for local communities;
- To ensure provision of services to the communities in a sustainable manner;
- To promote social and economic development
- To promote safe and healthy environment; and
- Encourage the involvement of communities and community organizations in the matters of local government.

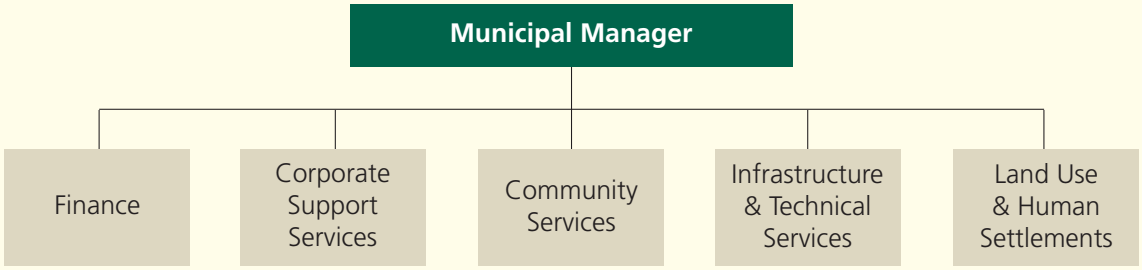
Powers and Functions

Category B Functions	Category C Functions	Provincial and National
Local Municipality	**District Municipality**	
Air pollution Building regulations Bill boards and display of advertisements Storm water Trading regulations Cleansing Facilities, accommodation and burial of animals Fencing and fences Local sport facilities Municipal parks and recreation Municipal planning Municipal public transport Municipal roads Public places and local amenities Street lighting Traffic and parking Licensing of dogs	Refuse removal and solid waste Municipal roads Municipal airports Fire fighting Markets Cemeteries Municipal public works Electricity regulation Municipal health Storm water Potable water Sanitation Licensing	Libraries Housing

CHAPTER 4: Human Resources and Organisational Management

4.1 Organisational Structure

The top structure of the municipality for the period under review was as follows:



4.2 Functions and Responsibilities

The municipality is administratively organised into 5 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Office of the Municipal Manager
- Budget and Treasury Office
- Technical Services and Infrastructure
- Community Services
- Corporate Services
- Land Use and Human Settlements

4.2.1 Office of the Municipal Manager

This programme is meant to provide overall strategic management for the municipality.

Objective	Key Focus Areas
To oversee overall programmes of the municipality, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Municipal Manager, Mayor and Speaker and thereby ensuring political and administrative cohesion.	• Integrated Development Planning (IDP) • Local Economic Development • Implementation Support

4.2.2 Budget and Treasury Office

This programme is responsible for the general management of finances of the municipality.

Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	• Budgeting • Credit Control, Billing and Collections • Financial Accounting • Budgeting and Financing • Assets management • Insurance and public management • Banking and Investments • Management Accounting • Supply Chain Management • Meter reading

4.2.3 Technical Services and Infrastructure

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks.	• Water • Sanitation • Electricity • Road and Storm Water • Mechanical services

4.2.4 Community Services

This programme attends to social issues involved in the development of Mafube community

Objective	Key Focus Areas
To ensure that social services are effectively provided to the Mafube community.	• Municipal health – and primary Health Care services • Library Services • Social Development • Environmental Management • Waste Management • Traffic • Public Safety • Sport and Recreation • Emergency Services • Arts and Culture • Cemeteries • Refuse Removal

4.2.5 Land Use and Human Settlement

This programme is meant to deal with issues relating land use and management as well as housing development.

Objective	Key Focus Areas
To ensure that land is properly managed and that housing is provided sustainably for the poor.	• Land Use Management • Town Planning • Housing • Property Management

4.2.6 Corporate Services

This programme is meant to provide organisational support services to the municipality.

Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Mafube Community.	• Human resource management/development • Corporate Management Support • Information Management and Technology • Legal Services • Corporate branding • Committee Secretariat

4.3 Staff Compliment

The municipality has the staff establishement of 353. Below is a breakdown of the staff compliment

Position	No. of Employees
Municipal Manager	1
Directors	3
Divisional Managers	8
Professional & Technical personnel	27
Administrative Personnel	65
General workers	229
Supervisors	11
Elementary personnel	86
Total	**353**

4.4 Remuneration Packages

4.4.1

	June 2009	June 2010
Executive Major		
Basic	473 138,00	506 258,00
Travel	157 712,00	168 753,00
Cellphone	2 667,00	2 854,00
Medical Aid	1 440,00	1 440,00
Total	**634 957,00**	**679 305,00**
Speaker		
Basic	378 510,00	405 006,00
Travel	126 170,00	135 002,00
Cellphone	1 332,00	1 425,00
Medical Aid	1 440,00	1 440,00
Total	**507 452,00**	**542 873,00**
Executive Committee Members X 2		
Basic	195 169,00	208 831,00
Travel	65 056,00	69 610,00
Cellphone	831,00	889,00
Medical Aid	1 440,00	1 440,00
Sub Total	262 496,00	280 770,00
Total (x2)	**524 992,00**	**561 540,00**
Councillors X 12		
Basic	141 941,00	151 877,00
Travel	47 313,00	50 626,00
Cellphone	831,00	831,00
Medical Aid	1 440,00	1 440,00
Sub Total	191 525,00	204 774,00
Total (x12)	**2 298 300,00**	**2 457 288,00**
	3 965 701,00	**4 241 006,00**

4.4.2 Remuneration packages for Section 57 Managers (2009/2010)

Position	Basic Salary	Performance Bonus	Travel Allowance	Other	Total Package
Municipal Manager	302 014	–	226 000	4 800	532 814
Chief Fiancial Officer	358 818	–	120 000	-	478 818
Technical Services Director	329 662	–	70 500	133 900	534 062
Community Services Director	425 340	–	74 017	14 810	514 168
Corporate Services Director	427 446	–	74 446	14 810	516 702
Land Use and Human Settlement Director	398 362	–	32 000		430 362
Total	**2 241 641,68**	**–**	**596 963,00**	**168 320,28**	**3 006 924,96**

4.5 Budget for 2009 /2010

4.5.1 Budget for the Office of the Municipal Manager

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	84 788	88 603	92 591
HOUSING SUBSIDY	1 800	1 881	1 966
OVERTIME	7 000	7 315	7 644
SALARIES & WAGES BASIC	600 746	627 780	656 030
SECTION 57 SALARIES	2 997 984	3 132 893	3 273 873
INDUSTRIAL COUNCIL LEVY	1 500	1 568	1 638
UNEMPLOYMENT INSURANCE FUND	6 384	6 671	6 971
MEDICAL AID SCHEME	85 176	89 009	93 014
PENSION FUNDS	86 484	90 376	94 443
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	**3 871 862**	**4 046 096**	**4 228 170**
GENERAL EXPENDITURE			
ADMINISTRATION COSTS	1 600 000	1 672 000	1 747 240
ADVERTISEMENT	400 000	418 000	436 810
AFFILIATION	104 500	109 203	114 117
BURSARIES INTERNAL	313 500	327 608	342 350
CONFRENCES AND WORKSHOP	409 000	427 405	446 638
ENTERTAINMENT GENERAL	60 000	62 700	65 522
MOBILISATION FOR ELECTIONS	300 000	313 500	327 608
POLICY & BY-LAWS	620 000	647 900	677 056
REFRESHMENTS	20 900	21 841	22 823
TRAINING	209 000	218 405	228 233
TRAVEL & SUBSISTANCE	110 000	114 950	120 123
SECURITY (MONITORING OF ALARMS)	1 500 000	1 567 500	1 638 038
UPGRADING OF TWO WAY SYSTEM	120 000	125 400	131 043
TOTAL GENERAL EXPENSES	**5 766 900**	**6 026 411**	**6 297 599**
TOTAL EXPENDITURE (NETT)	**9 638 762**	**10 072 506**	**10 525 769**

4.5.2 **Budget for Financial Services**

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	393 920	411 646	430 170
HOUSING SUBSIDY	121 207	126 661	132 361
OVERTIME	151 508	158 326	165 451
REDEMPTION OF LEAVE	26 260	27 442	28 677
SALARIES & WAGES BASIC	2 230 156	2 330 513	2 435 386
TELEPHONE ALLOWANCE	51 512	53 830	56 252
VEHICLE ALLOWANCE	242 412	253 321	264 720
GROUP LIFE INSURANCE GENERAL	151 508	158 326	165 451
INDUSTRIAL COUNCIL LEVY	3 032	3 168	3 311
MEDICAL AID SCHEME	272 712	284 984	297 808
PENSION FUNDS	506 032	528 803	552 600
TOTAL EMPLOYEE COSTS	**4 150 259**	**4 337 021**	**4 532 187**
GENERAL EXPENDITURE			
AUDIT AND ACCOUTING FEES	1 500 000	1 567 500	1 638 038
BANK CHARGES	350 000	365 750	382 209
COMPUTER ACCESSORIES	400 000	418 000	436 810
ENTERTAINMENT GENERAL	60 000	62 700	65 522
FINANCIAL MANAGEMENT GRT	200 000	209 000	218 405
FIXED ASSETS REGISTER	600 000	627 000	655 215
IMPLEMENTATION OF RATES	400 000	418 000	436 810
PRINTING & STATIONERY	350 000	365 750	382 209
PREPARATION OF FINANCIAL STATEMENT	2 500 000	2 612 500	2 730 063
RENTAL OF MACHINES	1 500 000	1 567 500	1 638 038
TRAVEL & SUBSISTANCE	150 000	156 750	163 804
INTEREST EXTERNAL LOANS	150 000	156 750	163 804
REDEMPTION EXTERNAL	500 000	522 500	546 013
OFFICE EQUIPMENT	600 000	627 000	655 215
COMPUTER EQUIPMENT	250 000	261 250	273 006
INTERNET SERVER	150 000	156 750	163 804
SUPLY CHAIN MANAGEMENT SYSTEM	150 000	156 750	163 804
OFFICE BUILDING	1 100 000	1 149 500	1 201 228
TOTAL GENERAL EXPENSES	**10 910 000**	**11 400 950**	**11 913 993**
SUB-TOTAL EXPENDITURE (GROSS)	**15 060 259**	**15 737 971**	**16 446 179**

4.5.3 **Budget for Corporate Services**

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	230 000	240 350	251 166
HOUSING SUBSIDY	15 000	15 675	16 380
OVERTIME	26 000	27 170	28 393
SALARIES & WAGES BASIC	2 538 216	2 652 436	2 771 795
TELEPHONE ALLOWANCE	60 000	62 700	65 522
VEHICLE ALLOWANCE	150 000	156 750	163 804
INDUSTRIAL COUNCIL LEVY	5 600	5 852	6 115
UNEMPLOYMENT INSURANCE FUND	45 000	47 025	49 141
MEDICAL AID SCHEME	90 000	94 050	98 282
PENSION FUNDS	170 000	177 650	185 644
TOTAL EMPLOYEE COSTS	**3 329 816**	**3 479 658**	**3 636 242**
ADVERTISEMENT	250 000	261 250	273 006
ENTERTAINMENT GENERAL	60 000	62 700	65 522
INSURANCE - GENERAL	1 000 000	1 045 000	1 092 025
LEGAL COST	1 567 500	1 638 038	1 711 749
HR POLICIES & BY LAWS	350 000	365 750	382 209
POSTAGE	300 000	313 500	327 608
TELEPHONE EXPENSES	1 020 000	1 065 900	1 113 866
TRAVEL & SUBSISTANCE	104 500	109 203	114 117
SUB-TOTAL GENERAL EXPENSES DEPARTMENTS	**4 652 000**	**4 861 340**	**5 080 100**
OFFICE EQUIPMENT	300 000	313 500	327 608
TIME MANAGEMENT SYSTEM	500 000	522 500	546 013
R&M - VEHICLES	400 000	418 000	436 810
TOTAL REPAIR AND MAINTENANCE - MUNICIPAL	1 200 000	1 254 000	1 310 430
TOTAL EXPENDITURE (NETT)	**9 181 816**	**9 594 998**	**10 026 773**

4.5.4 **Budget for Community Services**

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	225 000	235 125	245 706
HOUSING SUBSIDY	195 000	203 775	212 945
OVERTIME	320 000	334 400	349 448
SALARIES & WAGES BASIC	4 457 160	4 657 732	4 867 330
TELEPHONE ALLOWANCE	45 000	47 025	49 141
VEHICLE ALLOWANCE	420 000	438 900	458 651
UNEMPLOYMENT INSURANCE FUND	54 316	56 760	59 314
MEDICAL AID SCHEME	386 180	403 558	421 718
PENSION FUNDS	510 000	532 950	556 933
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	**6 612 656**	**6 910 226**	**7 221 186**
GENERAL EXPENDITURE			
AWERENESS PROGRAMME	90 000	94 050	98 282
CLEANING MATERIAL	80 465	84 086	87 870
CONTRIBUTION AGED	200 000	209 000	218 405
ENTERTAINMENT GENERAL	60 000	62 700	65 522
GENDER: SPEC PROG	22 990	24 025	25 106
PAUPER BARIALS	60 000	62 700	65 522
SPECIAL PROGRAME CHILDREN	20 900	21 841	22 823
SPORTS: SPEC PROGRAMMES	500 000	522 500	546 013
TRAVEL & SUBSISTANCE	40 000	41 800	43 681
WASTE WATER MANAGEMENT PLAN	300 000	313 500	327 608
OFFICE EQUIPMENT	300 000	313 500	327 608
UPGRADING OF SPORTS FACILITIES	731 500	764 418	798 816
FENCING OF WATER PARK	1 254 000	1 310 430	1 369 399
PROVISION FOR WATER BINS	230 000	240 350	251 166
FENCING: CEMETERY	2 000 000	2 090 000	2 184 050
ENVIRONMENT SERVIRCE (EQUIPMENT AND FENCE	2 000 000	2 090 000	2 184 050
TOTAL GENERAL EXPENSES	**7 889 855**	**8 244 898**	**8 615 919**
TOTAL EXPENDITURE (NETT)	**14 502 511**	**15 155 124**	**15 837 105**

4.5.5 **Budget for Infrastructure Services**

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	1 587 688	1 659 134	1 733 795
HOUSING SUBSIDY	288 672	301 662	315 237
OVERTIME	627 858	656 112	685 637
SALARIES & WAGES BASIC	10 683 400	11 164 153	11 666 540
TELEPHONE ALLOWANCE	174 632	182 490	190 703
VEHICLE ALLOWANCE	1 034 680	1 081 241	1 129 896
GROUP LIFE INSURANCE GENERAL	1 203 352	1 257 503	1 314 090
INDUSTRIAL COUNCIL LEVY	14 432	15 081	15 760
MEDICAL AID SCHEME	1 939 360	2 026 631	2 117 830
PENSION FUNDS	1 729 376	1 807 198	1 888 522
TOTAL EMPLOYEE COSTS	**19 283 450**	**20 151 205**	**21 058 009**
GENERAL EXPENDITURE			
CONSUMABLES (STORES)	800 000	836 000	873 620
ENTERTAINMENT GENERAL	30 000	31 350	32 761
FEUL/LUBRICATION	2 131 800	2 227 731	2 327 979
NEW CONNECTIONS	900 000	940 500	982 823
PROTECTIVE CLOTHING AND OVERALLS	500 000	522 500	546 013
TRAVEL & SUBSISTANCE	40 000	41 800	43 681
VEHICLE LICENSE	300 000	313 500	327 608
WASTE WATER MANAGEMENT PLAN	500 000	522 500	546 013
WATER CHEMICALS	3 000 000	3 135 000	3 276 075
PURCHASE OF ELECTRICITY	21 109 000	22 058 905	23 051 556
PURCHASE OF WATER	1 943 700	2 031 167	2 122 569
TOTAL GENERAL EXPENSES	**31 254 500**	**32 660 953**	**34 130 695**
REPAIR AND MAINTENANCE - MUNICIPAL ASSET			
PROJECT MANAGEMENT UNIT (PMU)	741 000	774 345	809 191
WATER PURIFUCATION PLANT- VILLIERS	6 500 000	6 792 500	7 098 163
WATER RETICULATION NETWORK:FRAKFORT	2 523 430	2 636 984	2 755 649
WATER RETICULATION NETWORK: VILLIERS	2 400 000	2 508 000	2 620 860
UPGRADING OF STORMWATER CANNALS AND ROAD	1 500 000	1 567 500	1 638 038
SEWER RETICULATION NETWORK & TOILET STRU	2 300 000	2 403 500	2 511 658
VEHICLES	600 000	627 000	655 215
FLEET MANAGEMENT SOFTWARE	500 000	522 500	546 013
R&M - MAINTENANCE	8 000 000	8 360 000	8 736 200
R&M - TOOLS & EQUIPMENT	1 000 000	1 045 000	1 092 025
TOTAL REPAIR AND MAINTENANCE - MUNICIPAL	**26 064 430**	**27 237 329**	**28 463 009**
TOTAL EXPENDITURE (NETT)	**76 602 380**	**80 049 487**	**83 651 714**

4.5.6 **Budget for Economic Development and Planning**

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	100 000	104 500	109 203
HOUSING SUBSIDY	60 000	62 700	65 522
OVERTIME	13 000	13 585	14 196
SALARIES & WAGES BASIC	798 570	834 506	872 058
STANDBY ALLOWANCE	9 500	9 928	10 374
TELEPHONE ALLOWANCE	10 000	10 450	10 920
VEHICLE ALLOWANCE	110 980	115 974	121 193
INDUSTRIAL COUNCIL LEVY	2 500	2 613	2 730
UNEMPLOYMENT INSURANCE FUND	79 856	83 450	87 205
MEDICAL AID SCHEME	95 000	99 275	103 742
PENSION FUNDS	110 000	114 950	120 123
TOTAL EMPLOYEE COSTS	**1 389 406**	**1 451 929**	**1 517 266**
GENERAL EXPENDITURE			
AGRICULTURAL DEVELOPMENT	500 000	522 500	546 013
ENTERTAINMENT GENERAL	60 000	62 700	65 522
LAND & HOUSING	1 000 000	1 045 000	1 092 025
LED	500 000	522 500	546 013
MARKETING & PROMOTION	300 000	313 500	327 608
SMME DEVELOPMENT	500 000	522 500	546 013
TOURIS AND PUBLICATION	300 000	313 500	327 608
TOWN PLANNING	400 000	418 000	436 810
TRAVEL & SUBSISTANCE	50 000	52 250	54 601
UPGRADING OF AUCTION KRAAL	60 000	62 700	65 522
ESTABLISH NEW TOWNSHIP/PEGGING SITE - TW	349 589	365 321	381 760
ESTABLISH NEW TOWNSHIP/PEGGING SITE - VI	931 793	973 724	1 017 541
ESTABLISH NEW TOWNSHIP/PEGGING SITE - CO	531 694	555 620	580 623
TOTAL GENERAL EXPENSES	**5 483 076**	**5 729 814**	**5 987 656**
TOTAL EXPENDITURE (NETT)	**6 872 482**	**7 181 744**	**7 504 922**

4.5.7 **Budget for Munipal Manager Admin**

Description	2009/2010	2010/2011	2011/2012
MANICIPAL MANAGER ADMIN			
UPGRADING OF TWO WAY SYSTEM	120 000		
TOTAL PER COST CENTER	**120 000**		
ENVIROMENTAL MANAGEMENT			
OFFICE EQUIPMENT	300 000		
UPGRADING OF SPORTS FACILITIES	731 500		
FENCING OF WATER PARK	1 254 000		
PROVISION FOR WATER BINS	230 000		
FENCING: CEMETERY	2 000 000		
ENVIRONMENT SERVIRCE (EQUIPMENT AND FENC	2 000 000		
TOTAL PER COST CENTER	**6 515 500**		
PROPERTY & GROUND MANAGEMENT			
OFFICE EQUIPMENT	300 000		
TIME MANAGEMENT SYSTEM	500 000		
TOTAL PER COST CENTER	**800 000**		
TOWN PLANNING			
UPGRADING OF AUCTION KRAAL	60 000		
ESTABLISH NEW TOWNSHIP/PEGGING SITE - TW	349 589		
ESTABLISH NEW TOWNSHIP/PEGGING SITE - VI	931 793		
ESTABLISH NEW TOWNSHIP/PEGGING SITE - CO	531 694		
TOTAL PER COST CENTER	**1 873 076**		
BUDGET MANAGEMENT			
OFFICE EQUIPMENT	600 000		
COMPUTER EQUIPMENT	250 000		
INTERNET SERVER	150 000		
SUPLY CHAIN MANAGEMENT SYSTEM	150 000		
OFFICE BUILDING	1 100 000		
TOTAL PER COST CENTER	**2 250 000**		
PROJECT MANAGEMENT UNIT			
PROJECT MANAGEMENT UNIT (PMU)	741 000		
TOTAL PER COST CENTER	**741 000**		
WATER DIVISION			
WATER PURIFUCATION PLANT- VILLIERS	6 500 000		
WATER RETICULATION NETWORK:FRAKFORT	2 523 430		
WATER RETICULATION NETWORK: VILLIERS	2 400 000		
TOTAL PER COST CENTER	**11 423 430**		
SEWERAGE DIVISION			
UPGRADING OF STORMWATER CANNALS AND ROAD	1 500 000		
SEWER RETICULATION NETWORK & TOILET STRU	2 300 000		
TOTAL PER COST CENTER	**3 800 000**		
MECHANICAL DIVISION			
VEHICLES	600 000		
FLEET MANAGEMENT SOFTWARE	500 000		
TOTAL PER COST CENTER	1 100 000		
GRANT TOTAL	**28 503 006**		

4.5.8 **Budget for Community Services**

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	225 000	235 125	245 706
HOUSING SUBSIDY	195 000	203 775	212 945
OVERTIME	320 000	334 400	349 448
SALARIES & WAGES BASIC	4 457 160	4 657 732	4 867 330
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VEHICLE ALLOWANCE	420 000	438 900	458 651
UNEMPLOYMENT INSURANCE FUND	54 316	56 760	59 314
MEDICAL AID SCHEME	386 180	403 558	421 718
PENSION FUNDS	510 000	532 950	556 933
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	**6 612 656**	**6 910 226**	**7 221 186**
GENERAL EXPENDITURE			
AWERENESS PROGRAMME	90 000	94 050	98 282
CLEANING MATERIAL	80 465	84 086	87 870
CONTRIBUTION AGED	200 000	209 000	218 405
ENTERTAINMENT GENERAL	60 000	62 700	65 522
GENDER: SPEC PROG	22 990	24 025	25 106
PAUPER BARIALS	60 000	62 700	65 522
SPECIAL PROGRAME CHILDREN	20 900	21 841	22 823
SPORTS: SPEC PROGRAMMES	500 000	522 500	546 013
TRAVEL & SUBSISTANCE	40 000	41 800	43 681
WASTE WATER MANAGEMENT PLAN	300 000	313 500	327 608
OFFICE EQUIPMENT	300 000	313 500	327 608
UPGRADING OF SPORTS FACILITIES	731 500	764 418	798 816
FENCING OF WATER PARK	1 254 000	1 310 430	1 369 399
PROVISION FOR WATER BINS	230 000	240 350	251 166
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TOTAL GENERAL EXPENSES	**7 889 855**	**8 244 898**	**8 615 919**
TOTAL EXPENDITURE (NETT)	**14 502 511**	**15 155 124**	**15 837 105**

4.5.9 **Budget for Infrastructure Services**

Description	2009/2010	2010/2011	2011/2012
ANNUAL BONUS	1 587 688	1 659 134	1 733 795
HOUSING SUBSIDY	288 672	301 662	315 237
OVERTIME	627 858	656 112	685 637
SALARIES & WAGES BASIC	10 683 400	11 164 153	11 666 540
TELEPHONE ALLOWANCE	174 632	182 490	190 703
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PENSION FUNDS	1 729 376	1 807 198	1 888 522
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GENERAL EXPENDITURE			
CONSUMABLES (STORES)	800 000	836 000	873 620
ENTERTAINMENT GENERAL	30 000	31 350	32 761
FEUL/LUBRICATION	2 131 800	2 227 731	2 327 979
NEW CONNECTIONS	900 000	940 500	982 823
PROTECTIVE CLOTHING AND OVERALLS	500 000	522 500	546 013
TRAVEL & SUBSISTANCE	40 000	41 800	43 681
VEHICLE LICENSE	300 000	313 500	327 608
WASTE WATER MANAGEMENT PLAN	500 000	522 500	546 013
WATER CHEMICALS	3 000 000	3 135 000	3 276 075
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PURCHASE OF WATER	1 943 700	2 031 167	2 122 569
TOTAL GENERAL EXPENSES	**31 254 500**	**32 660 953**	**34 130 695**
REPAIR AND MAINTENANCE - MUNICIPAL ASSET			
PROJECT MANAGEMENT UNIT (PMU)	741 000	774 345	809 191
WATER PURIFUCATION PLANT- VILLIERS	6 500 000	6 792 500	7 098 163
WATER RETICULATION NETWORK:FRAKFORT	2 523 430	2 636 984	2 755 649
WATER RETICULATION NETWORK: VILLIERS	2 400 000	2 508 000	2 620 860
UPGRADING OF STORMWATER CANNALS AND ROAD	1 500 000	1 567 500	1 638 038
SEWER RETICULATION NETWORK & TOILET STRU	2 300 000	2 403 500	2 511 658
VEHICLES	600 000	627 000	655 215
FLEET MANAGEMENT SOFTWARE	500 000	522 500	546 013
R&M - MAINTENANCE	8 000 000	8 360 000	8 736 200
R&M - TOOLS & EQUIPMENT	1 000 000	1 045 000	1 092 025
TOTAL REPAIR AND MAINTENANCE - MUNICIPAL	**26 064 430**	**27 237 329**	**28 463 009**
TOTAL EXPENDITURE (NETT)	**76 602 380**	**80 049 487**	**83 651 714**

4.5.10 Examples of employees trained in various areas of expertise.

Programme	Institution	Employee	Costs	Status	Qualification
National certificate in Municipal Governance	University of Johannesburg	Mr MS Malindi Mr Sipho Radebe Sonto Malindi	LGSETA	In progress	NQF Level 5
Fire Fighter and Emergency	Impact Emergency Technologies	Tati Makhoba	R13 000	Completed	NQF Level 4
Excel Certificate Excel Certificate	Excel Integration Excel Integration	Lindiwe Tshabalala Mapula Motsoeneng Mando Mahloane Bulelwa Mojanaga Madira Kotsi Mbulelo Mpinga Maleshoane Tsotetsi	R16 000 R 16 000	Completed Completed Completed Completed	NQF Level 5 NQF level 4
Advanced Payroll Certificate		Mamohau Mokoena Nonyana Pule	R 9 650 R 9 650	Completed Competed	NQF Level 5 NQF Level 5
Certificate in Local government and	Mancosa	Ernest Nxayi		Completed	NQF Level 5
Development in Management					



CHAPTER 5: Performance Highlights

The performance review of the municipality will be undertaken in relation to the five areas of Local Government Strategic Agenda agreed to nationally. These are Municipal Transformation and Organisational Development, Infrastructure Development and Service Delivery, Local Economic Development, Municipal Financial Viability and Management, and Good Governance and Public Participation.

5.1 Municipal Transformation and Organisation Development

Challenges

- Ensuring that organizational structure is aligned to the IDP and responsive to the organizational needs;
- Ensuring that the organization functions at optimal capacity;
- Making sure that organizational policies are in place and effectively implemented;
- Ensuring that performance of staff is effectively monitored and improved; and
- Ascertaining that organizational and HR systems are in place and effectively implemented.

Key Strategies

- An organisational structure aligned to the IDP established and operationalized;
- All critical posts identified and filled;
- Workplace Skills Plan developed and implemented;
- Outstanding HR policies developed and implemented;
- Performance Management System aligned to the IDP developed and implemented;
- Effective administration, institutional, human resources, communication and customer service systems developed and implemented;
- Align organizational structure to needs of the municipality;
- Conduct recruitment campaign and fill all critical positions;
- Provide advanced management training to HODs and general staff;

Key Performance Highlights

- The municipality appointed and external service provider who assisted with the review of the organizational structure. The structured was subsequently reviewed and adopted by Council. The new structure saw the creation of the Land Use and Human Settlement Directorate. The Directorate was essentially meant to focus more on planning, rezoning, land use management and facilitation of housing development in Mafube.

- The restructuring also led to the Local Economic Development being moved to the Office of the Municipal Manager. This was meant to provide integration of IDP and LED work while ensuring that all municipal work feeds into LED framework driven by the Office of the Municipal Manager as the centre.

- The municipality also ensured that the Workplace Skills Plan was revised and implemented. The following are some of the highlights with regard to the implementation of the Plan:

- As far as Human Resources policies are concerned, the municipality developed the draft Travel Allowance Policy. The draft policy was however referred back by Council for further consultations with the Local Labour Forum. At the end of the financial year, the municipality was still in the process of developing other outstanding Human Resources policies.

- With regard to performance management, the municipality continued to operate with the old policy framework developed earlier as the new framework had not been completed. In line with the framework, the municipality ensured that the Municipal Manager and all the Section 57 Managers entered into and signed performance agreements. Other elements of the Performance Management Policy Framework were however not fully implemented. For example no performance reviews for managers were conducted and no bonuses paid.

- The municipality however ensured that the Section 46 Annual Report (2008/9) was developed and approved by Council. The process of reviewing the Annual Report also led to the establishment of the Oversight Committee, which among others, has to review annual reports before they are approved by Council.

- The municipality also established the Audit Committee as required by the Municipal Finance Management Act, 2003. The following people were appointed onto the Committee:

 – Ms ZP Zathu
 – Mr T Scholtz
 – Mr PR Mnisi

- A number of other organizational, institutional and human resources systems were developed. First, a Communication Strategy was developed and implemented. The municipality also developed and implemented and Employee Assistance Programme.

- With respect to labour relations, the municipality ensured improvements in the overall functioning of the Local Labour Forum. Given the many difficulties, the Forum encountered, Council decided to forward Councilor Mosia with full delegated powers to represent Council and ensure that the Forum functions optimally. Since the intervention things seem to have turned for the better.

5.2 Infrastructure Development and Service Delivery

Challenges

- Appropriate prioritization and planning for community needs;
- Provision of basic services within limited infrastructure capacity;
- Provision of shelter to the poor; and
- Provision of basic social services.

Key Strategic Priorities

- Review the IDP in a manner that prioritizes community needs;
- Provide and extend basic services including water, sanitation, electricity, roads and storm water and waste removal;
- Upgrade and maintain infrastructure for provision of services;
- Facilitate the provision of housing to the community; and
- Provide social and community services to the community.

Key Performance Indicators

- IDP revised and adopted in accordance with legislation;
- Communities provided with access to basic services;
- Infrastructure projects implemented and completed;
- Number of houses built and related town planning services provided; and
- Social and Community Services provided to the community.

Integrated Development Plan

As required by the Municipal Systems Act, 2000 and related regulations, the municipality was able to review and adopt the 2010/2011 in time. The adoption followed extensive consultation processes that involved Ward Committees, IDP Representative Forum Steering Committees; among others. The municipality also ensured that the IDP was aligned to other plans as required.

Basic Services

One of the biggest challenges the municipality faced as far as provision of basic services this financial year was the new settlement that imposed new obligations and added backlogs on municipal services. The municipality however had to find ways to respond to this challenge and other related to service delivery.

Water Provision



- To start with, the municipality is required to develop and continuously review a Water Services Development Plan (WSDP) in terms of the Water Services Act. For its part, the municipality ensured that the first phase of the review of the WSDP was completed with the assistance of the Department of Water Affairs.

- The municipality also ensured that 800 erven were provided with household water connections. This was over and above the 63 communal taps created in parts of Mafube.

- In addition, the municipality implemented the following water projects:

Area of the Project	Project Description	Number of Households	Budget	Status
Qalabotjha	Water Reticulation Network and Installation	363 Erves	R3,9 million	Complete
Namahadi	Water Reticulation Network and Installation	1714 Erves	R18,7 million	Under construction
Namahadi	Water Reticulation Network and Installation	286 Erves	R3,4 million	Complete
Qalabotjha	New Water Purification Plant		R10,5 million	Under construction

Sanitation Provision

- The municipality continues to implement its bucket-eradication programme. The programme has seen household buckets converted to UIP's in old areas and UIP's erected from beginning in new areas.

- While the municipality had intended to provide waterborne sewer in some households, this could not be done as the sewer treatment plants could not cope and no upgrading could be done due to resource constraints.

Electricity Provision

- The electrification programme of the municipality has also been in full swing. Working in tandem with the housing programme, the municipality was ensured that for the period under review, funding was secured for the 558 targeted households. Therefore no new households were electrified this financial year.

- In addition, the municipality ascertained that 12 high mast lights were erected and is functional.

Roads and Stormwater

- The municipality intended to develop the Pavement Management System/Policy. The System/Policy could, however, not be developed because of limited funding.

- The municipality has however ensured that 2.8 kilometers of roads and stormwater were completed in Namahadi and 2.1 kilometers in Qalabotjha planned.

- The municipality has also been involved in the implementation of the following Roads and Stormwater projects:

Area of the Project	Project Description	Budget	Status
Qalabotjha Namahadi Mafahlameng	Roads and Stormwater Channels Upgrading Roads and Stormwater Channels Upgrading Roads and Stormwater Channels Upgrading	R3 million R11 million R5 million	Complete Under construction Tender adjudicate

- The municipality managed to spent a total of R19 101 000 allocated from the MIG funds for this financial year. However, some of the projects were carried over into the following year. These include Namahadi and Qalabotjha Waste Water Treatment Plants.

- The municipality ensured that a total of 253 people were trained through the infrastructure delivery programme during this financial year. Further, the municipality ascertained that about 273 temporary jobs were created. The following is a breakdown of beneficiaries of jobs by category:

Adult Men	Adult Women	Youth male	Youth Female	Disabled male	Disabled Women
33	36	124	60	0	0

Human Settlements

- During this financial year, the municipality continued to attend to various matters pertaining to human settlements. To start with, the municipality undertook a comprehensive and audit. The audit was meant to give the municipality a good sense of the land that is available for housing and development. The audit was completed successfully. The land adjacent to Frankfort and Cornelia was also purchased for development purposes.

- The municipality also undertook and completed the process of formalizing the informal settlement in Frankfort. This was done, among others, to ensure that the informal settlement is properly zoned for the provision of housing, municipal services and orderly development.

- Further, the municipality has also been involved in facilitating housing provision to the poor. The municipality established residential ervens, identified and allocated land to beneficiaries for housing development.

- The municipality also applied for housing subsidies from the province and assisted in housing provision. Below is a table showing details about housing projects during the year under review:

Location	Number of subsidies applied for	Number subsidies approved	Number of houses built
Namahadi	197	87	0
Mafahlaneng	100	73	0
Mafahlaneng	117	66	50
Qalabotjha	100	86	0
Ntswanatsatsi	87	64	26

- Ward Committees, especially Ward 6, conducted door to door campaign to register people for low cost housing (RDP).

Waste Management

- The municipality intended to develop and finalise its Waste Management Plan. However, this could not be done due to lack of funding. The municipality has however served commitment from the provincial government and the Fezile Dabi District Municipality to assist with the finalization of the Plan.

- The municipality continues to experience illegal dumping in its area. Processes to formalize or legalise illegal dumping sites. These dumping sites are however attended to once a week.

- The municipality also continues to ensure that refuse is removed once a week from each households and twice a week from the business sites. Garden refuse is also collected upon request by residents.

Parks and Open Spaces

- The municipality continued to maintain its parks and open spaces. In the main, the municipality has been able to ensure that grass is cut regularly and maintained.

- The municipality is also in negotiations with the Fezile Dabi District Municipality to provide more funding for the maintenance of parks.

'Let the River Flow Project'

- The municipality also supported the 'Let the River Flow Project'. This was a project initiated by the River Trust after they observed that the river was not in good state. The Trust mobilized resources from in South African Breweries Limited (SAB) and later approached the municipality for support. SAB came to the party and provided financial and logistical support while the municipality joined in the partnership and assisted with the arrangements for the launch of the project. The project was finally launched on 26 March 2010, with Dr Vincent Maphai, the Executive Director of SAB and the Mayor present.

- The river has since been cleaned and restored to its pristine conditions. Below are pictures to show how the river was transformed from its state of disrepair to better looking conditions.



Roads and Streets

- The municipality continues to undertake various responsibilities related to maintenance roads and streets, and management of traffic. In particular, the municipality refreshed the road markings and signs while ensuring that JJ Hadebe Street is cleaned every day.

- The municipality has also ensured that road blocks continued to be mounted regularly to ensure effective management of traffic. The municipality has also worked with the provincial government to improve monitoring of roads especially during Easter and the festive season.

- Negotiations are underway with the provincial government and the Fezile Dabi District Municipality to assist with the provision of traffic vehicles.

Cemeteries

- The municipality also continued to improve conditions and management of cemeteries. First, the municipality established new cemeteries at Namahadis new Section. Second, the old cemetery is in the process of being fenced. Access roads to cemeteries have also been maintained.

Libraries

- The municipality also continued to improve conditions and services at its libraries. In particular, the municipality has ensured that all libraries have computers and internet services. Library staff has also been trained in various areas of library management.

Cemeteries

- The municipality also continued to improve conditions and management of cemeteries. First, the municipality established new cemeteries at Namahadi's new section. Second, the old cemetery is in the process of being fenced. Access roads to cemeteries have also been maintained.

Sports and Recreation



- The municipality further continued to support various sporting initiatives in Mafube. To start with, the municipality ensured that the Mafube Sports Council continued to function optimally.

- The municipality has also seen various new sporting facilities established or developed in Mafube. Examples include a new sports facility in Cornelia (supported by the provincial government) as well as the new Aerobics Club in Namahadi.

- Various sporting events continued to be supported. The municipality continued to provide financial and material support to the Mafube Chapter of OR Tambo games held annually in various parts of the Free State province.

- In addition, the municipality also continued to provide financial and material support to the Easter Tournament which is held annually in Mafube.

- The municipality ran various initiatives in support of Football Friday to heighten awareness about the World Cup. The initiatives included encouraging the community wear Bafana Bafana jerseys, promoting knowledge and performance of Diski Dance and running Football tournaments.

- The municipality also supported the formation of the Recreational League for the elderly. This is an initiative meant to keep senior citizens in Mafube active and healthy as they age.

Special Programmes



- The municipality through the Office of the Mayor, introduced and implemented a number of special programmes typical associated with the Office. Some of the programmes included financial support to poor learners who passed grade 12 but could not go to tertiary institutions to further their studies. In this regard, a total of 90 learners benefitted from the municipality's financial support scheme.

- The municipality assisted the Department of Home Affairs in the late registration of births and issuance of IDs to enable people in the rural areas to access to social grants. Communities were also mobilized to participate in the SASSA public hearings on the challenges involved in the allocation of social grants.

- As part of its Moral Regeneration Programme, the Office of the Mayor, established Chaplaincy in the Office. Four Ministers from various parts of Mafube were appointed to serve in the Chaplaincy. The Ministers appointed were:

 - Rev. Monaune – Tweeling
 - Rev. Rampa – Frankfort
 - Rev. Latha – Cornelia
 - Rev. Letshele – Villiers

5.3 Financial Viability and Management

Challenges

- Ensuring that the budget complies with legislation and is aligned development priorities;
- Improving financial management in the municipality; and
- Improving revenue collection for the municipality to meet its service delivery obligations.

Key Strategic Priorities

- That the 2010/2011 budget is compiled and adopted in accordance with applicable Municipal legislation;
- Develop and implement Debt Collection Strategy to improve revenue collection;
- Ensure that outstanding financial management policies and systems are in place;
- Ensure that budget and expenditure is in accordance with legislation; and
- Build internal capacity for improved financial management.

Key Performance Indicators

- 2010/2011 budget developed and adopted in line with the requirements of applicable legislation;
- Debt Collection Strategy developed and implemented, and revenue collection improved;
- Outstanding Financial Management policies and systems developed and implemented;
- Budget and treasury office established;
- Creditors paid within prescribed time-frames; and
- Financial management staff trained and capacitated.

Key Performance Highlights

- The municipality ensured that the 2010/2011 Budget was prepared and adopted in accordance with the Municipal Finance Management Act. The municipality developed a Budget Process Plan that provided for extensive consultations and time-frames. In accordance with this, the municipality consulted widely and ensured that the Budget (aligned to the IDP) was finalized and adopted in time.

- In addition, the municipality compiled and approved the 2010/2011 Service Delivery Budget Implementation Plan (SDBIP). The Plan is a concrete expression of how the budget is translated into deliverables for the financial year. It also serves as a link between the budget planning and performance management. In fact, the SDBIP serves as a basis for the compilation of performance agreements for Section 57 managers.

- The municipality also developed a number of critical financial management policies. The policies developed and approved by Council include the following:

 – Fraud Prevention Policy
 – Internal Audit Policy
 – Internal Audit Charter
 – Internal Audit Plan

- The municipality continues to implement Revenue Collection Strategy to increase payment levels. As part of these measures, the municipality ensured the following:

 – Valuation Roll compiled;
 – More than 90% of meters were read;
 – Rigorous implementation of the Indigent Policy; and
 – Indigent Register updated following community campaigns.
 – GAMAP compliant Asset Register.

- The municipality also developed the Credit Control and Debt Collection Policy. The policy empowered the municipality to enforce credit control measures. This year the municipality was able to collect 76% of revenue this financial year. The municipality has also secured the services of an external service provider, through the District Municipality, to assist with data purification, registration and revenue collection.

- The municipality conducted Indigent Campaign in all wards during April 2010 to update the Indigent Register.

- Again through the assistance of Fezile Dabi District Municipality, the municipality has also managed to improve its financial management systems. In particular, the District assisted the municipality to convert from ABAKUS financial system to e-Venus system which GAMAP compliant. The new system has added a great value and continues to enable the municipality to improve efficiencies in financial management while integrating systems across the organization.

- The municipality developed a Policy and Procedure Manual. The manual assists the financial officers to effectively manage and operate the new financial syste .

- The municipality however continuously failed to pay creditors in time (i.e. 30 days of receipt of invoices). This owed largely to continuous cash-flow crisis.

- To strengthen capacity in the Finance Section, the municipality reviewed the organizational structure to ensure that more positions were created there. The municipality also appointed 5 financial interns to help improve capacity.

The municipality has not being exactly viable financially. Below are ratios showing financial viability of the municipality for the year under review:

DEBT COVERAGE RATIO	
TOTAL REVENUE (NET OF GRANTS)	70,287,108.00
CURRENT PORTION OF LONG TERM LIABILITIES	546,701.00
RATIO	**128.57**
Interpretation	
The municipality makes sufficient revenue to pay the full debt and in addition of other expenditure	
OUTSTANDING SERVICE DEBTORS TO REVENUE	
ACCOUNTS RECEIVABLE SERVICE DEBTORS	6,514,627.00
– Trade receivables from exchange transactions	5,623,551.00
– Trade receivables from non-exchange transactions	891,076.00
ANNUAL REVENUE ACTUALLY RECEIVED	47.992,614.03
RATIO	**0.14**
Interpretation:	
For every R1 of revenue collected the municipality has R0.14 in debtors.	
COST COVERAGE	
BANK BALANCE AT YEAR END	249,043.00
INVESTMENTS	228,086.00
TOTAL ACTUAL CASH AVAILABLE	*477,129.00*
MONTHLY FIXED OPERATING EXPENDITURE	4,863,255.20
Employee cost	4,064,703.17
Councillor's remuneration	372,626.75
Rental of machines	425,925.28
RATIO	**0.10**

There is R0.10 actual cash available for every R1 of fixed operating expenditure.

Conclusion:
The municipality makes sufficient revenue to cover its debt servicing payments, it collects sufficient revenue however, does not have sufficient cash resources available to cover all its fixed operating expenditure.

5.4 Local Economic Development

Challenges

- Providing strategic frameworks to guide economic development; Mobilising local investments and create jobs;
- Increasing support of SMMEs;
- Supporting tourism as a critical part of the local economy; and
- Improving support to the local businesses.

Key Priorities

- Finalise and implement the LED Strategy;
- Increase support to SMMEs'
- Maximise economic benefits of tourism; and
- Regulate and support local businesses.

Key Performance Indicators

- LED Strategy and Africa Rural Development Strategy developed and approved;
- Construction of Industrial Park completed;
- Various measures introduced to support SMMEs;
- Various measures introduced to support tourism; and

Key Performance Highlights

- The municipality initiated processes to develop and finalise its Local Economic Development Strategy. The Strategy was however not finalised at the end of the financial year. Measures are being taken to ensure that this project is completed in the coming financial year.

- This financial year, the municipality sought to upscale its support to the SMMEs in the area. The support took various forms including training, marketing and so forth. More importantly, the municipality mobilised resources to maximise support to SMMEs in the coming financial year. Below is a set of SMME initiatives to be supported by the municipality.

Project Description & Critical Steps	2010 /2011	Priority	Department	Funding Source
Oil factory	R 10,000,000	A	LED	Private
Supply of Nguni cattle in Ntswanatsatsi	R 350,000	A	LED	Dept agric
Greenhouse Tunnels in Ntswanatsatsi	R 400,000	A	LED	Dept soc Dev
Acquisition of catering & bakery equipment in Ntswanatsatsi	R 80,000	A	LED	Dept soc Dev
Establishment of Brick Manufacturing plant in Namahadi	R 550,000	A	LED	Dept soc Dev
Funding of Car Wash : Qalabotjha, Namahadi & Mafahlaneng	R 150,000	A	LED	Dept soc Dev
Acquisition of Catering & Hiring Equipment for Namahadi Youth	R 250,000	A	LED	Dept soc Dev
Establishment of Kgatholoha Guest House for Namahadi woman	R 1 500,000	A	LED	Dept soc Dev
Acquisition of Sewing Equipment for Mafube Youth: Sewing Centre – Mafube Fashion	R 1 000,000	A	LED	Dept soc Dev
Township Revitalization in Mafahlaneng old Location: 50 HousesSettlement	R 2,300,000	A	LED	Dept Human
Shine The Way Poulty & Vegetables: Mafahlaneng	R 80,000	A	LED	Dept soc Dev
Masibambane Home Based Care & Batho Centre	R 360,000	A	LED	Dept soc Dev

- Under the leadership of the Speaker, the municipality initiated 'Job Hunting Skills' programme. The objective was to empower young people to improve their chances of securing employment. The programme, supported by the Department of Labour, assisted young people with the compilation of CVs and how to conduct oneself in job interviews ect.

- The programme also assisted the municipality to generate unemployment statistics in various wards. Below is the unemployment statistics by wards as established through this process:

Ward	Statistics
Ward 1	362
Ward 2	481
Ward 3	264
Ward 4	345
Ward 5	574
Ward 6	334
Ward 7	432
Ward 8	386
Ward 9	428
Total	**3606**

- The municipality also organized a Youth Indaba as an information session to further empower youth in their various endeavors. The Indaba also laid basis for the establishment Youth Development Forum. The Indaba was attended by National Youth Development Agency, SA Micro Apex Fund and Youth Development Agency.

5.5 Public Participation and Good Governance

Challenges

- Lack of sufficient involvement of communities in governance and municipal affairs in general; and
- Weak public participation structures in the community

Key priorities

- Ensuring maximum participation of all key stakeholders in the development of IDPs, the budgeting process, implementation and monitoring of programmes; and
- Improve the functionality of ward committees.

Key Strategies

- Ensure active involvement of communities in the planning and budgeting process;
- Build capacity of community structures to effectively engage in local governance and development processes; and
- Encourage civic responsibility and voluntarism.

Key Achievements

- As per usual the municipality took measures to ensure that communities participate actively in the formulation of the IDP and Budget for 2010/2011. This took the form of ward level meetings, Imbizos as well as involvement at the level of the IDP Representative Forum.

- The municipality has also ensured that ward committees in the whole of Mafube area were established and supported. A programme of support under the leadership of the Speaker was developed and is being rolled out. The support programme includes training of members of ward committees on legislation, code of conduct and their roles and how to engage in planning, budgeting and service delivery processes. The training programme was conducted by Mahlomola Mahlaba, Deputy Director of IGR.

- To further deepen the public participation, the municipality initiated a 'Mamela o Arabe' Campaign. The campaign that started in Villiers, was meant to enable the community tom raise issues of concern with the municipality and for councilors to respond ad community municipal policies and programmes. The campaign saw the participation of NGOs, FBOs, business, agri-forums, traditional healers, the disabled, the aged and women.

- The Community participation programme also mobilized different sections of the community to participate in various programmes and initiatives including local economic development, job creation, social development, youth development, poverty alleviation and housing. The details are in various section of this Annual Report.

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GENERAL INFORMATION

NATURE OF BUSINESS

Mafube Municipality is a local municipality performing the functions as set out in the Constitution, (Act no 105 of 1996) which includes municipal services, infrastructure development and furthering the interests of the local community.

COUNTRY OF ORIGIN AND LEGAL FORM

Mafube Local Municipality is a Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Mafube Municipality includes the following areas:

- Frankfort
- Villiers
- Tweeling
- Cornelia

MEMBERS OF THE MAFUBE COUNCIL

Ntombela L.M.D	(Mayor)		ANC. 8
Moloi T.M	(Speaker)	(P.R)	ANC
Cllr Sigasa J.E			ANC. 1
Cllr Hlongwane J.J			ANC. 2
Cllr Memeza P			ANC. 3
Cllr Mosia M			ANC. 4
Cllr Tshabalala D			ANC. 5
Cllr Moloi M			ANC. 6
Cllr Mfene D			ANC. 7
Cllr Khubeka L			ANC. 9
Cllr Tshabalala P.J		(P.R)	PAC
Cllr Skosana E.M		(P.R)	ANC
Cllr Mokoena M.S		(P.R)	ANC
Cllr Sekhoto M.M		(P.R)	ANC
Cllr Kanono K.C		(P.R)	ANC
Cllr Van der Westhuizen P.D		(P.R)	VF
Cllr Pretorious J.J		(P.R)	DA

MUNICIPAL MANAGER

Mr PI Radebe (Acting)

CHIEF FINANCIAL OFFICER

Mr NN Molefe (Acting)

REGISTERED OFFICE

64 JJ Hadebe Street
FRANKFORT
9830

P.O Box 2
FRANKFORT
9830

AUDITORS

Auditor-General (FS)
BLOEMFONTEIN
9301

PRINCIPAL BANKERS

ABSA Bank, Frankfort

ATTORNEYS

Podbielski Mhlambi Inc.
Claasen Attorney
Richter van der Watt
Hennie Venter Attorney

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, he sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Mafube Local Municipality is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 49.

The annual financial statements set out on pages 65 to 129 which have been prepared on the going concern basis, were approved by the Accounting officer on 31 August 2010 and were signed on its behalf by:

PI Radebe
Municipal Manager (Acting)

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON MAFUBE LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Mafube Local Municipality, which comprise the statement of financial position as at 30 June 2010 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 64.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No.108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PM) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Cash and cash equivalents

4. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness, valuation of, and rights to, the cash and cash equivalents balance of R11 741 262 (2009: (R10 238 846), as disclosed in the statement of financial position and note 17 to the financial statements. Due to the lack of proper monthly reconciliations, the municipality's records did not permit the performance of reasonable alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, completeness and valuation of, and rights to, cash and cash equivalents.

 (a) The year-end bank reconciliation shows an unreconciled difference of R1 009 043, for which no valid explanation could be obtained. Due to the lack of audit evidence I could not determine the effect on the other account balances or classes of transactions reported in the financial statements.

 (b) My report was modified in the previous year as a difference of R10 822 397, noted between the bank overdraft balance disclosed in the financial statements and the amount included as the cash book balance in the year-end bank reconciliation and general ledger, could not be explained. No evidence could be obtained that the difference was investigated and rectified. Accordingly, I was unable to obtain sufficient appropriate audit evidence that the cash and cash equivalents balance of R 11 741 262, and the corresponding disclosure of R 187 381 and the bank overdraft balance of R 10 238 846, as disclosed in the statement of financial position and note 17 to the financial statements, did not contain Significant misstatements.

5. Paragraph 18 of SA Standards of GRAP, GRAP 1, Presentation of financial statements (GRAP 1) requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. The municipality reported a cash and cash equivalents balance of R11 478681 in the statement of financial position and note 17 to the financial statements. The bank reconciliation includes stale cheques of R653 284. Consequently, the bank balance is understated by R653 284. Due to the lack of audit evidence I could not determine the effect on the other account balances or classes of transactions reported in the financial statements.

6. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Unprocessed deposits and receipts of R56 531 998 were identified, which had not been accounted for at year end. Consequently, revenue is understated and receivables overstated. The municipality's records did not allow me to quantify the understatement relating to revenue and the overstatement of receivables.

7. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Although the financial statements indicate a favourable bank balance of R11 478 681, the bank statements indicate an overdraft of R252 522, while uncleared cheques amounted to R291 898. This resulted in an overstatement of R12 023 101. Due to the lack of audit evidence I could not determine the effect on the other account balances or classes of transactions reported in the financial statements.

8. Contrary to the requirements of the South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*, the municipality did not disclose the fact that land with a value of R3 000 000 has been provided as security to the bank in respect of the municipality's overdraft facility.

9. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. My report was modified in the prior year as the 2008-09 year-end bank reconciliation included "debit orders" of R5 152 742 that appeared on the bank statements, but had not been processed in the cash book. Sufficient and appropriate audit evidence could not be obtained that these misstatements had been followed up and resolved. The municipality's records did not permit the performance of reasonable alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, completeness, valuation, rights and obligations to cash and cash equivalents of R11 741 262, and the corresponding disclosure of R 187 381 and the bank overdraft balance of R10 238 846, as disclosed in the statement of financial position and note 17 to the financial statements.

Property, plant and equipment

10. As a result of the matters detailed below, I was unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness, valuation of, and rights to, property, plant and equipment with a carrying value of R219 312 447 (2009: R208 542 470), as disclosed in the statement of financial position and note 10 to the financial statements. The municipality's records did not permit the performance of reasonable alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, completeness and valuation of, and rights to, property, plant and equipment.

 (a) The municipality did not maintain an accurate fixed asset register as required by section 63(2)(c) of the MFMA. The net carrying value of R219 312 447, as disclosed in note 10 to the financial statements, did not agree to the balance of R 187 168 299, as per the fixed asset register. No explanations could be obtained for the unreconciled difference of R32 144 147. Consequently, I was unable to confirm the existence, completeness, valuation of, and rights to, property, plant and equipment.

I could thus not confirm:

- the accuracy and completeness of additions of R1 676 722 as disclosed in note 10 to the financial statements
- that all disposals of property, plant and equipment had been accounted for in the accounting and underlying records
- the existence, accuracy and completeness of the accumulated depreciation of R12 041 621 as disclosed in note 10 to the financial statements.

(b) For assets with a carrying value of R34 736 041 the descriptions, serial numbers and locations indicated in the fixed asset register were inadequate for identification purposes. Consequently, I was unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, valuation, completeness, presentation and disclosure of and the municipality's rights to property, plant and equipment to this amount.

(c) Contrary to the requirements of paragraph 5 of the SA Standard of GRAP, GRAP 16 *Investment Properly (GRAP 16)*, the municipality did not perform an evaluation in terms of GRAP 16 to determine which properties should be disclosed as investment properties.

(d) My report was modified in the previous year as a fixed asset register was not provided. Accordingly, I was unable to obtain sufficient appropriate audit evidence that property, plant and equipment with a carrying value of R219 312 477 and the corresponding disclosure of R208 542 470, as disclosed in the statement of financial position and note 10 to the financial statements, did not contain significant misstatements.

11. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Due to calculation errors, assets disclosed in the financial statements exceeded the underlying accounting records by R12 082 231. Assets and the accumulated deficit were therefore overstated by R12 082 231.

Trade and other receivables

12. Trade and other receivables from exchange transactions, before any impairment adjustments, amounted to R95 057999 (2009: R70 928930) as disclosed in note 12 to the financial statements. Management raised a general provision of R88 543 373 (2009: R49 996 277) for impairment against these consumer debtors. In view of the following, I could not confirm the completeness, existence and accuracy of consumer debtors with a carrying value of R6 514 627 (2009: R20 932653). The municipality's records did not permit the application of alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the completeness, existence and accuracy of consumer debtors.

(a) Sufficient appropriate audit evidence could not be obtained to confirm government debts of R1 766 925 disclosed in note 13 to the financial statements. The existence of, and rights to, these receivables could not be confirmed.

(b) I was unable to obtain sufficient appropriate audit evidence for debit journals of R16 243 476 and credit journals of R13 939 215. I was unable to test the completeness, accuracy and validity of the journals processed against trade and other receivables.

(c) My report was modified in the previous year as the existence, completeness, valuation of, and rights relating to, consumer debtors of R26 136 734 could not be confirmed. Accordingly, I was unable to obtain sufficient appropriate audit evidence that service receivables with a carrying value of R5 079 107 and the corresponding disclosure of R 19 345 185, as included in the statement of financial position and note 12 to the financial statements, did not contain significant misstatements.

13. Other receivables of R7 485 242 (2009: R7 850 974) were disclosed in note 12 to the financial statements. Due to the lack of sufficient appropriate evidence and the fact that a journal of R7 850 974 was processed without sufficient appropriate audit evidence, the existence of, and rights to, other receivables could not be confirmed. The municipality's records did not permit the application of alternative audit procedures and I was unable to confirm the existence of, and rights to, other receivables of R7 485 242.

Trade and other payables

14. As a result of the matters detailed below, I was unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness and valuation of trade payables, of R9 772 013 (2009: R16 274 542), as disclosed in the statement of financial position and note 5 to the financial statements. The municipality's records did not permit the application of alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to confirm the existence, completeness and valuation of trade and other payables.

 (a) Payroll suspense accounts of R2 104 581 as at 30 June 2010 could not be confirmed to sufficient appropriate audit evidence. Accordingly, I was unable to obtain sufficient appropriate audit evidence as to the existence and accuracy of payroll suspense account of R2 104 581.

 (b) Payroll suspense accounts with debit balances of R13 948 313, included in the disclosure of trade payables in note 6 to the financial statements, had not been cleared at year-end as required by section 65(2)0) of the MFMA. I was unable to obtain sufficient appropriate evidence to support the transactions and balances included in these suspense accounts. The municipality's records did not permit the application of alternative audit procedures and accordingly I could not confirm the existence, completeness and valuation of payroll receivables of R13 948 313.

 (c) I was unable to obtain sufficient appropriate audit evidence for debit journals of R40 190 362 and for credit journals of R67 289 542. I was unable to test the completeness, accuracy and validity of the journals processed against payables.

 (d) Debtors with credit balances of R1 559 672 included in trade payables in note 5 to the financial statements could not be confirmed to sufficient appropriate audit evidence. The existence and valuation of these payables could not be confirmed.

 (e) The leave pay provision of R1 337 169 (2009: R320 021) was included in the current employee benefits disclosed as a current liability in the statement of financial position and note 5 to the financial statements. The municipality could not supply a leave register on which the leave provision calculation was based. The municipality's records did not permit the performance of reasonable alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, completeness, valuation of, and obligation to, the leave pay provision.

 (f) My report was modified in the previous year as the existence, completeness, valuation of, and obligations relating to, creditors of R15 453 873 could not be confirmed. Accordingly, I was unable to obtain sufficient appropriate audit evidence that trade and other payables of R9 772 013 and the corresponding disclosure of R16 274 542, as included in the statement of financial position and note 6 to the financial statements, did not contain significant misstatements.

15. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. In note 7 to the financial statements, trade payables of R9 772 013 were materially understated by R58 640 816, due to all trade creditors not being accounted for in the general ledger. Trade creditors and expenditure were thus understated by R58 640 816.

16. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Taxes owed to the South African Revenue Service (SARS) in respect of employee taxes of R1 860 860 outstanding at year-end had not been recorded as payables. Payables and employee costs were thus understated by R1 860 860.

Unspent conditional grants and receipts

17 Included in unspent conditional grants disclosed in note 7 to the financial statements was an amount of R9 092789 in respect of operation Hlasela, while the separate bank account maintained for this purpose had a closing balance of R85 780, resulting in an unexplained difference of R9 007 008. The municipality's records did not permit the performance of reasonable alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, completeness, valuation of, and obligation to, this unspent conditional grant. Due to the lack of sufficient appropriate audit evidence I could not determine if operation Hlasela's expenditure had been understated or if the municipality had used this money to defray other running costs.

18. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Included in unspent conditional grants disclosed in note 7 to the financial statements was an amount of R30 772 906 in respect of the Municipal Infrastructure Grant (MIG). According to note 7, MIG-related expenditure incurred amounted to R3 327 000, while expenses of R19 168 441 were identified from the bank statements and management had disclosed expenditure of R18 674320 on the MIG-signed certificate of expenditure and revenue. Expenditure in respect of the MIG grant was understated, while unspent conditional grants were overstated by an unknown amount.

19. My report was modified in the previous year as the existence, completeness, valuation of, and obligations relating to, unspent conditional grants of R12 454 161 included in current liabilities could not be confirmed. Accordingly, I was unable to obtain sufficient appropriate audit evidence that unspent conditional government grants and receipts of R39 865696 and the corresponding disclosure of R20 454 161, as included in the statement of financial position and note 7 to the financial statements, did not contain significant misstatements.

Long-term liabilities

20. My report was modified in the previous year as the financial statements disclosure for long-term liabilities exceeded the balance according to the general ledger by R1 758 014. No evidence could be found that this difference had been followed up and resolved. Accordingly, I was unable to obtain sufficient appropriate audit evidence that long-term liabilities of R971 072 and the corresponding disclosure of R948 733, as included in the statement of financial position and note 3 to the financial statements, did not contain significant misstatements.

Accruals, provisions and contingent liabilities

21. The municipality has not disclosed or raised a provision in respect of pending litigation and legal actions instituted against the municipality. In the absence of sufficient appropriate audit evidence that legal actions were evaluated to determine whether they should be disclosed as contingent liabilities or provided for in accordance with SA Standards of GRAP, GRAP 19, *Provisions, contingent liabilities and contingent assets* (GRAP 19), I was unable to

determine if accruals, provisions and contingent liabilities were understated. The municipality's management also did not sign/issue letters agreeing to third-party confirmation letters being sent out to their legal representatives and the application of alternative audit procedures could thus also not be performed. Accordingly, I could not obtain sufficient appropriate audit evidence to ensure the completeness of accruals, provisions and contingent liabilities.

22. Contingent liabilities of R20 916 762 were identified during the 2008-09 audit. This disclosure has not been included in the financial statements, no evidence could be obtained that these cases had been resolved by 30 June 2010 and as a result no assurance could be expressed that contingent liabilities as disclosed in the financial statements were complete.

23. Provision has not been made for the environmental rehabilitation costs of restoring the municipality's landfill sites. A provision should be made for the municipality's present obligation incurred as a consequence of its past use of the landfill sites, in accordance with GRAP 19. In the absence of a valuation in respect of the costs for the rehabilitation of landfill sites, I was unable to quantify the extent of the understatement of provisions.

Capital commitments

24. My report was modified in the previous year as sufficient appropriate audit evidence could not be obtained in respect of the completeness of capital commitments. Commitments of R24 825 050 had been identified during the 2008-09 audit and although management had made the necessary adjustment in the disclosure to the financial statements, no evidence could be obtained that management had confirmed the completeness thereof. Accordingly, I was unable to obtain sufficient appropriate audit evidence that capital commitments of R30 650 586 and the corresponding disclosure of R24 825 050, as disclosed in the statement of financial position and note 37 to the financial statements, did not contain significant understatement.

Post-retirement obligation

25. No post-retirement obligations had been recognised or disclosed in the financial statements. In the absence of post-retirement medical aid contracts and actuarial valuations, I was unable to quantify the extent of the understatement of employee costs and payables.

Value-added tax

26. Value-added tax (VAT) payables of R14 187 248 (2009: R6 741 261) were included in the statement of financial position and note 9 to the financial statements. As a result of the matters listed below I could not confirm the existence, completeness, valuation and obligation thereof. The municipality's records did not permit the application of alternative audit procedure and accordingly, I could not confirm the existence, completeness, valuation of, and obligation to, VAT receivable.

 - The amount owed by SARS to the municipality based on VAT returns submitted amounted to R596 653 while the general ledger indicated that an amount of R4 874 176 was owed to SARS, resulting in an unexplained difference of R5 470 829.

 - I was unable to obtain sufficient appropriate audit evidence for debit journals of R4 486 782 and credit journals of R12 021 592. I was unable to confirm the completeness, accuracy and validity of the journals processed against the VAT accounts.

27. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. It was, however, determined that output VAT declared was calculated based on all receipts and not only VAT-related income. Due to unprocessed receipts of R24 095837 not being accurately recorded and accounted for in the general ledger, I was unable to quantify the understatement of revenue.

28. My report was modified in the previous year as the completeness and valuation of VAT payable of R6 741 261 could not be confirmed. Accordingly, I was unable to obtain sufficient appropriate audit evidence that VAT payables of R 14 187 248 and the corresponding disclosure of R6 741 261, as included in the statement of financial position and note 9 to the financial statements, did not contain significant misstatements.

Accumulated surplus

29. Due to the disclaimer of opinion on the prior year's financial statements and the matters listed below, I could not obtain sufficient appropriate audit evidence to ensure the existence, completeness and valuation of accumulated surplus. The municipality's records did not permit the application of alternative audit procedures and accordingly, I could not obtain sufficient appropriate audit evidence to ensure that accumulated surplus was fairly stated in the financial statements.

 (a) I was unable to obtain sufficient appropriate audit evidence for debit journals of R5 235 057 allocated directly against the accumulated surplus. I was unable to test the completeness, accuracy and validity of these journals processed against the accumulated surplus.

 (b) Due to the disclaimer of opinion on the prior year's financial statements and the lack of sufficient appropriate audit evidence that prior year misstatements and scope limitations had been followed up and resolved, I could not obtain sufficient appropriate audit evidence to confirm the existence, completeness and valuation of accumulated deficit of R529244 192 and the corresponding disclosure of R578 147 479 as disclosed in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures and accordingly. I could not obtain sufficient appropriate audit evidence to ensure that accumulated surplus was fairly stated in the financial statements.

Funds and reserves

30. The valuation and existence of the capital replacement reserve could not be confirmed as sufficient appropriate audit evidence was not submitted to support the amount of R5 044 900 (2009: R6 721 622) as disclosed in the statement of financial position and note 2 to the financial statements. The municipality's records did not permit the application of alternative audit procedures and, accordingly, I could not obtain sufficient appropriate audit evidence to ensure the valuation and existence of these reserves.

31. My report was modified in the previous year as the existence, completeness, valuation, rights and obligations relating to the capital replacement, government grant and capitalisation reserves amounts of R6 721 622, R174 777 871 and R2 380 323 respectively, could not be confirmed. Accordingly, I was unable to obtain sufficient appropriate audit evidence that funds and reserves of R191 296349 and the corresponding amount of R183 879 816, as included in the note 2, did not contain significant misstatements.

Revenue

32. Revenue of R123 663 913 (2009: R85 749 430) was disclosed in the statement of financial performance. As a result of the matters detailed below, I was unable to obtain sufficient appropriate audit evidence to confirm the completeness, existence and accuracy of revenue of R123 663 913 (2009: R85 749 430). The municipality's records did not permit the application of alternative audit procedures and, accordingly, I could not obtain sufficient appropriate audit evidence to confirm the completeness, occurrence and accuracy of revenue.

 (a) Sufficient, appropriate audit evidence could not be obtained that receipts of R3 559 124 had been deposited into the municipality's bank account. The occurrence of receipts of R3 559 124 could thus not be confirmed.

 (b) I was unable to obtain sufficient appropriate audit evidence for credit journals of R2 915 113 allocated against equitable share income. I was unable to test the occurrence, accuracy and validity of the journals processed against revenue.

33. Accounting policy note 1.15 is not in accordance with SA Standards of GRAP. GRAP 9, *Revenue from exchange transactions* (GRAP 9), since revenue from the sale of prepaid meter vouchers was recognised immediately on receipt of cash and not only at the stage when the entity no longer retains con managerial involvement to the degree usually associated with ownership or effective control over the goods sold. As a result, the sale of prepaid electricity revenue was incorrectly recognised as revenue, instead of deferred income as required by GRAP 9. Due to the volume of transactions involved and the fact that the system could not provide us with the relevant information, I could not quantify the extent to which revenue is overstated and deferred income understated. No alternative procedures could be performed in this regard.

34. Contrary to the requirements of paragraph 30 of GRAP 1, the municipality did not provide for service charges relating to the period between the last meter-reading date and the year-end date on an annual basis. Based on the estimated consumption calculated at the end of the financial year, consumer debtors was understated by R2 418 848 and the accumulated surplus brought forward from the prior year was understated by R1 455 467. Thus the service revenue for the year was understated by R963 381.

35. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Receipts of R6 589 318 issued could not be traced to the general ledger. Consequently, receivables will be overstated; the municipality's records did not allow me to quantify the understatement.

36. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Grants received totalling R31 354 884 could not be traced to the general ledger. Grants received were thus understated and the positive bank balance understated by R3 354 884.

37. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. The undercollector of electricity levies resulted in revenue and receivables being understated by R11 352 864.

38. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. The over corrections of water levies resulted in revenue and receivables being overstated by R761 971.

39. Property rates of R13 087 940 were included in note 18 to the financial statements. Improvements to properties of R6 400 940 had not been updated on the system, resulting in the undercollection of rates. Consequently, property rates revenue and trade receivables from non-exchange transactions were understated, but the municipality's records did not allow me to quantify the understatement.

Personnel expenditure

40. Personnel expenditure included in notes 23 and 24 to the financial statements amounted to R53 247 959. As a result of the audit matters detailed below and because the municipality's records did not permit the application of alternative audit procedures, I was unable to obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of the personnel expenditure.

 (a) I was unable to obtain sufficient appropriate audit evidence for debit journals of R51 582 148 and credit journals of R29 859 100. I was unable to test the completeness, accuracy and validity of the journals processed against general expenditure.

41. Payroll suspense accounts with debit balances of R 10 746 908 and credit balances of R11 125692 had not been cleared at year-end as required by section 65(2)(j) of the MFMA. Due to the lack of sufficient appropriate audit evidence the impact of these accounts on employee costs could not be determined. I could not confirm the existence, completeness and valuation of payroll receivables of R 13 948 313 as well as the occurrence, completeness and accuracy of the personnel expenditure.

42. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Overpayment of R5 517 525 were identified in respect of employee costs. Consequently, employee costs were overstated and receivables understated by R5 517525.

43. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Underpayments of R358 103 were identified in respect of employee costs. Consequently, employee costs and payables were understated by R358 103.

Bulk purchases

44. Bulk purchases of R9 874 027 (2009: R15 677 991) were disclosed in note 29 to the financial statements. As a result of the matters detailed below, I was unable to obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of general expenditure. The municipality's records did not permit the application of alternative audit procedures and accordingly, I could not obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of general expenditure.

 (a) Supporting documentation could not be obtained in order to confirm payments of R2 740 355, included in the statement of financial performance. I could not obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of expenditure.

 (b) Distribution losses were not monitored and accounted for. The correctness of the units of water and electricity purchased and sold could thus not be determined.

General expenditure

45. General expenditure of R21 455 199 (2009: R47 111 211) was disclosed in note 29 to the financial statements. As a result of the matters detailed below, I was unable to obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of general expenditure. The municipality's records did not permit the application of alternative audit procedures and accordingly, I could not obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of general expenditure.

 (a) Supporting documentation could not be obtained in order to confirm payments of R5 649 724, included in the statement of financial performance. I could not obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of this expenditure.

 (b) Lease rentals in respect of payments R1 850343 included under general expenditure in the financial statements could not be obtained. I could not obtain sufficient appropriate audit evidence to confirm the occurrence, completeness and accuracy of this expenditure.

46. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. The following misstatements were identified:

 (a) Payments of R2 634 754 could not be traced to the general ledger, resulting in expenditure being understated by R2 634 754. Cash and cash equivalents are thus overstated by R2 634 754. The municipality's records did not permit me to quantify the understatement of expenditure and the overstatement of creditors.

 (b) Payments of R2 026 674 had only been recorded in the 2010-11 financial year, resulting in the understatement of expenditure by R2 026 674.

Unauthorised, fruitless and wasteful and irregular expenditure

47. Procurement documentation for expenses amounting to R12 624 927 (2009: R18 511 088) could not be provided and the possible occurrence of irregular expenditure due to non-compliance with the supply chain management policy and Preferential Procurement Policy Framework Act, 2000 (Act NO.5 of 2000) could therefore not be evaluated.

48. Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. The following misstatements were identified:

 (a) The municipality did not disclose fruitless and wasteful expenditure of R444 054 incurred as a result of interest and penalties levied against them due to late payments being made to SARS, as required by section 125(2)(d) of the MFMA.

 (b) The overpayment to councillors, amounting to R770 496 (2009: R916 617 and 2008: R55 405) constitutes irregular expenditure but was not disclosed as required by section 125(2)(d) of the MFMA.

 (c) Irregular expenditure incurred due to non-compliance with the supply chain management policy amounting to R42 082 959 (2009: 30342 175) was not disclosed in the financial statements, as required by section 125(2)(d) of the M FMA.

 (d) Fruitless and wasteful expenditure of R172 668 was incurred on the development of a performance management system which had not been implemented, but was not disclosed as such as required by section 125(2)(d) of the M FMA.

(e) My report was modified in the prior year in respect of an understatement of irregular expenditure of R31 325 050 which had not been reported and accounted for in the financial statements. The corresponding figure of irregular expenditure was restated in note 34.3 to the 2009-10 financial statements by R39 917 770. Contrary to the requirements of GRAP 1, disclosure of the nature and amount of, and the reason for, the reclassification of comparative disclosure of this restatement was not included in note 30 to the financial statements. Management could also not provide me with sufficient appropriate audit evidence to enable me to audit the additional restatement of R8 592 720 of the comparative information. Consequently, I could not perform alternative procedures to obtain sufficient appropriate audit evidence of the occurrence and accuracy of the corresponding figure of irregular expenditure.

(f) No evidence could be obtained that the irregular expenditure identified in prior financial years had been investigated and that political office-bearers or officials of the municipality who deliberately or negligently incurred or authorised irregular expenditure were held liable for such expenditure in terms sections 32(1)(c) and 32(2)(b} of the MFMA. Receivables can thus be understated and the accumulated surplus overstated, but due to the lack of supporting documentation the amount could, however, not be quantified.

(g) Due to the number of unprocessed transactions, I could not confirm that expenditure was incurred in accordance with the approved budget of the municipality. The amount of the expenditure not incurred in accordance with the approved budget of the municipality could not be quantified.

Going concern

49. As a result of the matters described in the Basis for disclaimer of opinion paragraph, the municipality may be in a worse financial position than the position reflected in these financial statements. In addition to this, the following matters indicate that there is a risk that the municipality may be exposed to serious financial difficulties in terms of section 138 of the MFMA. The financial statements did not disclose any details of the uncertainty and had been prepared on a going concern basis. The municipality's accounting records did not provide me with sufficient appropriate audit evidence that the municipality is able to continue as a going concern.

- The municipality's financial statements reflected a material increase in the accumulated deficit from R2 152 936 to R14 262 488.
- The municipality had an unfavourable current ratio for current assets to current liabilities of 0.39:1 which is below the norm of 2:1
- The municipality was not in the position of paying their creditors timeously.

Disclaimer of opinion

50. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

51. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unauthorised, irregular and fruitless and wasteful expenditure

52. As disclosed in note 34.2 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R7 297 483 (2009: RO) during the year under review due to the municipality's inability to pay their creditors on time.

53. As disclosed in note 34.3 to the financial statements, the municipality incurred irregular expenditure of R40 649 285 (2009: R39 917 770) during the year under review due to inadequate procurement processes followed.

Additional matters

54. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

55. The supplementary information set out on pages [X] to [x] does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

56. As required by the PM and in terms of *General Notice 1570 of 2009*, issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with key laws and regulations [MFMA, and the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA)] and financial management (internal control).

Predetermined objectives

56. Material findings on the report on predetermined objectives are reported below:

Non-compliance with regulatory and reporting requirements

Submission of annual performance plan

57. The accounting officer of the Mafube Local Municipality did not submit a performance information plan as required by section 40 of the MFMA.

Existence and functioning of a performance audit committee

58. The Mafube Local Municipality did not have a functional performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

Internal auditing of performance measurements

59. The internal audit processes and procedures did not include assessments of the functionality of the Mafube Local Municipality's performance management system and performance measurements to ensure reliability and compliance with the MSA.

Lack of adoption or implementation of a performance management system

60. The municipality does not have a functional performance management system as required by section 38(a) of the MSA.

No reporting against predetermined objectives, indicators and targets

61. The municipality has not reported performance against predetermined objectives, as required by section 46 of the MSA.

Compliance with laws and regulations

Municipal Finance Management Act

The annual budget was not prepared, tabled and approved in accordance with the applicable laws and regulations

62. Contrary to section 21(1)(b) of the MFMA the mayor had not tabled the budget to the council at least 10 months before the start of the budget year.

The mayor did not adhere to his legislative responsibilities

63. The mayor did not comply with the legislative requirements on budgetary control and early identification of financial problems as required in section 54 of the MFMA.

The accounting officer did not adhere to his statutory responsibilities

64. The accounting officer did not comply with his legislative responsibility of managing the financial administration of the municipality over the financial affairs of the municipality as set out in section 62 of the MFMA.

65. Contrary to section 68(a) of the MFMA the accounting officer did not assist the mayor in performing his budgetary functions.

66. Contrary to section 70(2) of the MFMA the municipality had not informed the National Treasury of their approved overdraft facility.

67. Contrary to the requirements of section 62(1)(c) of the MFMA and Treasury Regulation 27.2.1, the municipality did not have a fraud prevention plan.

68. Contrary to section 64(3) of the MFMA no correspondence between the municipal manager and the National Treasury could be obtained relating the organs of state whose accounts were outstanding for more than 30 days.

Municipal officials did not adhere to their statutory responsibilities

69. Contrary to the requirements of section 78(1) of the MFMA, senior managers did not take all reasonable steps to ensure that the system of financial management and internal control established for the municipality is carried out diligently to ensure the accurate and correct recording of all transactions.

The audit committee was not properly established

70. The municipality did not have a functioning audit committee, as prescribed by sections 165(2)(b) and 166 of the MFMA.

The internal audit unit was not properly established or not functioning properly

71. The internal audit function did not substantially fulfil its responsibilities for the year, as set out in section 165(2) of the MFMA.

72. The internal audit unit of the municipality did not prepare a risk based audit plan and an internal audit program for each financial year.

Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

73. No evidence could be obtained that irregular expenditure identified had been investigated and that political office-bearers or officials of the municipality who deliberately or negligently incurred or authorised irregular expenditure were held liable for such expenditure in terms sections 32(1)(c) and 32(2)(b) of the MFMA.

Expenditure was incurred otherwise than in accordance with sections 15 and 11 (3) of the MFMA resulting in unauthorised expenditure

74. Expenditure was not incurred in accordance with the approved budget of the municipality and exceeded the limits of the amounts appropriated for the different votes in the approved budget of the municipality.

The financial statements were not prepared in accordance with applicable legislation

75. Financial statements were not submitted within two months as required by section 126(1) of the MFMA.

Expenditure was not paid within the parameters set by the applicable legislation

76. Expenditure was not paid within the required 30 days from the receipt of an invoice/account, as required by section 65(2)(e) of the MFMA.

Supply chain management legislative requirements were not implanted or not adhered to

77. Goods and services were supplied by the provider and payment made to the provider without a written signed contracts as required by section 116 of the MFMA.

78. Contrary to section 19(1)(b) of the MFMA the municipality committed themselves to capital projects without obtaining council approval.

Municipal Systems Act

The annual budget was not prepared, tabled and approved in accordance with the applicable laws and regulations

Contrary to the requirements of sections 26(c) of the MSA, no link exists between the integrated development plan and approved budget.

The accounting officer did not adhere to his statutory responsibilities

79. Contrary to section 96(b) of the MSA the accounting officer did not a debt and credit control policy had been implemented.

Supply chain management legislative requirements were not implanted or not adhered to

80. Contrary to the requirements of schedules 1 and 2 of the MSA councillors and staff members had declared all their financial interests.

Inadequate content of integrated development plan

81. The integrated development plan of Mafube Local Municipality did not include any of the key performance indicators, as referred to in section 26(c) of the MSA.

82. The key performance indicators set in the integrated development plan of Mafube Local Municipality were not specific and measurable and did not relate to the objectives and strategies as required by sections 4(a) and 41 of the MSA.

INTERNAL CONTROL

83. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.

84. The matters reported below are limited to the Significant deficiencies regarding the basis for disclaimer of opinion paragraphs, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

Tone at the top

- Management's philosophy and operating style do not promote effective control over reporting. They do not lead by example.
- Integrity and ethical values are not developed and understood and do not set the standard for sound corporate governance.
- Accountability to the public is not emphasised.
- Performance is not adequately measured.

Oversight responsibility

- The accounting officer does not adequately exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.
- Personnel are not aware of the allocation of duties, responsibilities and lines of reporting.
- Human resources policies are only in draft format and do thus not facilitate the training and discipline of personnel.
- Key officials are not available throughout the audit process.
- The commitment to quality is not communicated.
- Not all the systems are documented in the policy and procedures manual and the results of the monitoring process are not routinely communicated to all managers and staff.
- An effective organisational structure that places people with appropriate skills is not established.
- The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities.

Corrective action

- Actions are not taken to address risks relating to the achievement of complete and accurate financial and performance reporting.
- Control weaknesses are not properly analysed, and appropriate follow-up actions are not sufficiently implemented to address root causes.
- Not all internal and external audit findings are addressed.
- SCOPA resolutions have not been substantially implemented.

Financial and performance management

Quality, reliable monthly financial statements and management information

- Management and staff do not fulfil their duties and responsibilities.
- The municipality does not have sufficient competent individuals who understand the financial reporting framework and performance management requirements.
- Pertinent information is not identified and captured in a form and time frame to support financial and performance reporting.
- The financial statements and other information to be included in the annual report are not reviewed for completeness and accuracy prior to submission for audit.
- Requested information was not available and supplied without any significant delay.
- The annual financial statements and annual performance report were not submitted for auditing as per the legislated deadlines.

Adequate financial management systems

- General information technology controls are not designed to maintain the integrity of the information systems and the security of the data.
- Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.

Governance

Risk identification and management

- The entity does not have a formal risk assessment process.
- The entity does not respond to the assessed risks by determining a risk strategy I action plan to manage identified risks.

Fraud prevention, detection and response

- Segregation of duties to prevent fraudulent data and asset misappropriation is not adequate.
- A fraud prevention plan is not documented and used as per the requirements of applicable legislation.

Internal audit that inspects the adequacy and implementation of internal control

- Internal audit does not operate in accordance with an approved written terms of reference.
- Internal audit did not fulfil its responsibilities as set out in legislation and in accordance with accepted best practice and standards.

Audit committee that promotes independent accountability and service delivery

- The audit committee did not fulfil its responsibilities as set out in legislation and in accordance with accepted best practice.
- Implementation of internal and external audit recommendations is not monitored.
- Financial statements not reviewed prior to submission for audit purposes.

Auditor-General

Bloemfontein
20 December 2010

AUDITOR-GENERAL

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Note(s)	2010 (R)	2009 (R)
NET ASSETS AND LIABILITES			
Assets			
Net Assets		**177,033,861**	**181,726,880**
Capital Replacement Reserve	2	5,044,900	6,721,622
Capitalisation Reserve		2,380,323	2,380,323
Government Grant Reserve	2	183,871,126	174,777,871
Accumulated Surplus/(Deficit)		(14,262,488)	(2,152,936)
Non-Current Liabilities		**971,072**	**948,733**
Long-term liabilities Employee benefits	3	971,072	948,733
Current Liabilities		**67,751,058**	**55,255,064**
Consumer deposits	4	1,026,917	940,227
Current employee benefits	5	2,336,935	320,021
Trade and other payables	6	9,772,013	16,274,542
Unspent conditional government grants and receipts	7	39,865,696	20,454,161
Unspent public contributions		8 15,549	–
VAT	9	14,187,248	6,741,261
Cash and cash equivalents - Overdraft	17	–	10,238,846
Current portion of long-term liabilities	2	546,701	286,007
Total Net Assets and Liabilities		**245,755,991**	**237,930,677**
ASSETS			
Non-Current Assets		**219,312,447**	**208,542,470**
Property, Plant and Equipment	10	219,312,447	208,542,470
Current Assets		**26,443,544**	**29,388,207**
Inventory	11	474,327	277,727
Trade receivables from exchange transactions	12	5,623,551	19,345,185
Trade receivables from non-exchange transactions	13	891,076	1,587,468
Other debtors	14	7,485,242	7,850,974
Operating lease arrangements	15	–	–
VAT	9	–	–
Investments	16	228,086	187,381
Cash and cash equivalents	17	11,741,262	139,472
Total Assets		**245,755,991**	**237,930,677**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Note(s)	2010 Actual (R)	2009 Restated (R)	2009 Correction of error (R)	2009 Previously reported (R)
REVENUE					
Revenue from Non-exchange Transactions		**66,617,711**	**54,217,033**	**691,319**	**53,525,714**
Taxation Revenue		**13,087,940**	**4,186,509**	**–**	**4,186,509**
Property rates	18	13,087,940	4,186,509	–	4,186,509
Transfer Revenue		**53,376,805**	**49,198,433**	**–**	**49,198,433**
Government grants and subsidies - Equitable share	19	42,565,551	37,780,433	0	37,780,433
Government grants and subsidies - Capital	19	9,093,255	10,342,000	–	10,342,000
Government grants and subsidies - Operating	19	1,718,000	1,076,000	–	1,076,000
Public contributions and donations		–	–	–	–
Other Revenue	**22**	**152,965**	**832,091**	**691,319**	**140,772**
Unamortised discount - Inrerest	20	691,319	691,319	–	–
Fines		152,965	140,772	–	140,772
Revenue from Exchange Transactions		**57,046,202**	**31,532,397**	**–**	**31,532,397**
Property rates - penalties imposed and collection charges		–	2,091,938	–	2,091,938
Service charges	21	48,468,847	27,067,014	–	27,067,014
Rental of facilities and equipment		304,387	1,160,235	–	1,160,235
Interest earned - External investments		84,010	96,088	–	96,088
Interest earned - Outstanding debtors		6,858,245	90,117	-	90,117
Licences and permits		–	116,563	–	116,563
Agency services		–	–	–	–
Other income		1,330,713	910,442	–	910,442
Total Revenue		**123,663,913**	**85,749,430**	**691,319**	**85,058,111**
EXPENDITURE					
Employee related costs	23	48,776,438	32,927,025	320,021	32,607,004
Remuneration of councillors	24	4,471,521	5,534,266	–	5,534,266
Debt impairment	25	38,555,474	32,005,015	32,005,015	–
Depreciation and amortisation		–	1,655,857	–	1,655,857
Repairs and Maintenance	26	4,839,110	3,066,758	–	3,066,758
Unamortised discount - Inrerest	20	181,570	–	–	–
Finance charges	27	181,072	255,618	–	255,618
Bulk purchases	28	9,874,027	15,677,991	-	15,677,991
Contracted services		22,520	–	–	–
General expenses	29	21,455,199	14,786,175	(32,325,036)	47,111,211
Total Expenditure		**128,356,932**	**105,908,705**	**–**	**105,908,705**
Operating Surplus / (Deficit) for the Year		**(4,693,019)**	**(20,159,275)**	**691,319**	**(20,850,594)**
Loss on disposal of property, plant and equipment		–	–	–	–
Gain on disposal of property, plant & equipment		–	–	–	–
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(4,693,019)**	**(20,159,275)**	**691,319**	**(20,850,594)**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Note(s)	Capital Replacement Reserve (R)	Capitalisation Reserve (R)	Government Grant Reserve (R)	Accumulated Surplus/ (Deficit) (R)	Total (R)
Balance at 1 JULY 2008		8,203,158	2,644,803	173,703,042	**22,614,386**	**207,165,389**
Correction of error	30.08	–	–	–	(5,235,057)	5,235,027)
Correction of error	30.08	–	–	–	5,000	5,030
Restated Balance at 1 JULY 2008		**8,203,158**	**2,644,803**	**173,703,042**	**17,384,329**	**201,935,392**
Net Surplus/(Deficit) for the year		–	–	–	(20,159,275)	(20,159,275)
PPE Purchased		(1,481,536)	–	–	1,481,536	–
Capital Grants used to purchase PPE		–	–	10,342,000	(10,342,000)	–
Assets disposal		–	–	(68,336)	68,336	–
Offset depreciation		–	(264,480)	(9,198,835)	9,463,315	–
Correction		–	–	–	(49,177)	(49,177)
Balance at 30 JUNE 2009		**6,721,622**	**2,380,323**	**174,777,871**	**(2,152,936)**	**181,726,940**
Capital Grants used to purchase PPE		–	–	9,093,255	(9,093,255)	–
PPE Purchased		(1,676,722)	–	–	1,676,722	–
Restated Balance at 1 JULY 2009		**5,044,900**	**2,380,323**	**183,871,126**	**(9,569,469)**	**181,726,940**
Net Surplus/(Deficit) for the year		–	–	–	(4,693,019)	(4,693,019)
Balance at 30 JUNE 2010		**5,044,900**	**2,380,323**	**183,871,126**	**(14,262,488)**	**177,033,921**

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note(s)	2010 (R)	2009 Restated (R)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other - Exchange transactions		38,381,392	103,320,647
Cash receipts from ratepayers, government and other - Nonexchange transactions		47,912,546	–
Cash payments to suppliers and employees		(53,687,727)	(112,401,527)
Cash receipts and payments on VAT transactions			
Cash generated/(absorbed) by operations	31	32,606,211	7,660,613
Interest received		84,010	96,088
Interest paid		(181,072)	(255,618)
Net Cash from Operating Activities		**32,509,149**	**7,501,083**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,769,977)	(11,823,536)
Proceeds on disposal of PPE		–	68,336
Net Cash from Investing Activities		**(10,769,977)**	**(11,755,200)**
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		101,463	1,926,059
New loans (repaid)		–	–
Net Cash from Financing Activities		**101,463**	**1,926,059**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**21,840,635**	**(2,328,058)**
Cash and Cash Equivalents at the beginning of the year		(10,099,374)	(7,771,316)
Cash and Cash Equivalents at the end of the year	32	11,741,262	(10,099,374)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**21,840,635**	**(2,328,058)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Accounting Policies

1. Presentation of Annual Financial Statements for the year ended 30 June 2010

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

They are presented in South African Rand. A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Presentation currency

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3. Comparative information

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transitional provision
The municipality adopts the transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property.

The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 1 00)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.5 Property, plant and equipment
Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment.

Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Depreciation is calculated on cost, using the straight - line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives of the assets:-

The useful lives of items of property, plant and equipment have been assessed as follows:

	Years	Other	Years
Infrastructure		*Other*	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	7
Sewerage	15-20	Furniture and fittings	5
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10
Improvements	30	Other items of plant & equipment	3
Recreational Facilities	20-30		
Security	5		
Investment Properties	30		

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date.

If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de - recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the de - recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale.

These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue.

All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision
The municipality adopts the transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment.

Property, plant and equipment have accordingly been recognised at provisional amounts, as disclosed in Note 10. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment have accordingly been recognised at provisional amounts, as disclosed in Note 10.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),)
- Leases (GRAP 13)
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

1.6 Intangible assets
The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Transitional provision

The municipality changed its accounting policy for intangible assets in 2010.

The transitional provision as per Directive 2 of the GRAP Reporting Framework is adopted.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets.

The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.7 Financial instruments

Classification
The municipality classifies financial assets and financial liabilities into the following categories:

Classification depends on the purpose for which the financial instruments were obtained I incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement
Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Trade and other receivables are classified as loans and receivables.

Trade and other payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings
Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments
Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value.

Equity instruments are recorded at the amount received, net of direct issue costs.

1.8 Leases
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee
Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.
The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration and then their costs are their fair values as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Transitional provision

The municipality adopts the transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories.

The transitional provision expires on 30 June 2011.
In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4).)Po Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification
When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use
Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows
In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance.

Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified.

This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.11 Impairment of non cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profitorientated entity, it generates a commercial return. Non-cash-generating assets are assets other than cash assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Usefil life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Employee benefits

Short-term employee benefits
The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans
For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment Of settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value.

In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations
The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health cafe benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 Provisions and contingencies
Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. wheft the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation.

The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time.

This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.14 Revenue from exchange transactions
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.15 Revenue from non-exchange transactions
Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis.

Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines
Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender.

Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for nonpayment by the offender.

An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected.
Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies
Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration is based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence.

Certain grants payable by one level of government to another are subject to the availability of funds.

Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow.

Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis.

Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately.

If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Turnover
Turnover comprises of sales to customers and service rendered to customers.

Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income
Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs
It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures
Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure
Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement off financial performance.

1.21 Fruitless and wasteful expenditure
Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure
Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:
- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register.

No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register.

If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned.

If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements.

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.25 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No.1 07 of 1997).

Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund.

Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.
To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28. Reserves

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit] are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, trough a transfer from the Revaluation Reserve to the accumulated surplus I (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus I (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

	2010 (R)	2009 (R)
2 NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	5,044,900	6,721,622
Capitalisation Reserve	2,380,323	2,380,323
Government Grant Reserve	183,871,126	174,777,871
Total net asset reserve	**191,296,349**	**183,879,816**
3 Long term liabilities		
Annuity loans - At amortised cost		
Opening balance	1,926,059	1,865,013
Loans received	–	–
Repayment	–	–
Interest capitalised (arrear payments)	101,463	61,046
	2,027,522	**1,926,059**
Less: Current portion transferred to current liabilities	**546,701**	**286,007**
Annuity loans - Arrears at year-end immediately payable	387,470	134,449
Annuity loans - Sheduled capital repayments within one year	159,231	151,558
Long term portion of annuity loans	**1,480,821**	**1,640,052**
Less: Unamortised charges on loans	**(509,749)**	**(691,319)**
Balance 1 July	(691,319)	–
Loans received	–	–
Adjustment for the period	181,570	–
Restatement of prior year comparative (take-on of loan) - Note 30.01	–	(1,333,540)
Restatement of prior year comparative (movement for year) - Note 30.01	–	642,221
Total long-term liabilities - At amortised cost using the effective interest rate method	**971,072**	**948,733**
Annuity loans at amortised cost is calculated at 5% interest, with a maturity date of 31 December 2018.		
The obligations under annuity loans are presented below:	**Minimum annuity payments**	
Amounts payable under annuity loans:		
Payable within one year	626,762	373,741
Payable within two to five years	1,196,460	1,196,460
Payable after five years	598,012	837,304
	2,421,234	2,407,505
Less: Future finance obligations	(393,712)	(481,446)
Present value of annuity obligations	**2,027,522**	**1,926,059**

	2010 (R)	20089 (R)
4 CONSUMER DEPOSITS		
Water	82,531	82,531
Electricity	944,386	857,696
Total consumer deposits	**1,026,917**	**940,227**
5 CURRENT EMPLOYEE BENEFITS		
Bonus Provision	999,775	–
Staff Leave	1,337,160	320,021
Total current employee benefits	**2,336,935**	**320,021**
Annual bonuses		
Balance at beginning of year	–	–
Contribution to current portion	999,775	–
Balance at end of year	**999,775**	**–**

Annual bonuses are paid to all municipal staff during their month of birth, excluding section 57 Managers. The balance at year-end represents the portion of the annual bonus which have vested with regards to the current salary / leave cycle.
Annuity loans at amortised cost is calculated at 5% interest, with a maturity date of 31 December 2018. Minimum annuity payments
Annual bonus has not been provided for in the past. Due to limited historical information being available no adjustment is made to prior year figures.

Staff Leave		
Balance at beginning of year	320,021	–
Contribution to current portion	1,017,139	320,021
Balance at end of year	**1,337,160**	**320,021**

Staff leave accrues to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as and when employees take leave.

	2010 (R)	2009 (R)
6 TRADE AND OTHER PAYABLES		
Trade payables	(3,706,368)	14,266,260
ESKOM	24,282,948	7,773,983
DWAF	29,025,019	5,484,144
Other	10,554,395	1,008,134
Creditors not yet processed / incorrect processing to be corrected	(67,568,731)	–
Payroll creditors and suspense accounts	11,843,732	867,592
PAYE, UIF & SDL	3,122,891	153,374
Pension and Medical Aid	6,558,359	714,218
Other	2,162,482	–
Sundry suspense accounts	74,977	–
Credit balances included under debtors	1,559,672	1,140,690
Total trade payables	**9,772,013**	**16,274,542**

Payables are not paid within 30 days as prescribed by the MFMA due to cash flow constraints. Payables are recognised net of any discounts.

7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	39,865,696	20,454,161
MIG Grant	30,772,906	20,221,161
FMG Grant	–	233,000
MSIG Grant	–	–
Operation Hlasela	9,092,789	–
Total Conditional Grants and Receipts	**39,865,696**	**20,454,161**
MIG Grant		
Balance unspent at beginning of year	20,221,161	–
Current year receipts	16,318,000	30,563,161
Receipts - Advance regarding next financial year	3,327,000	–
Conditions met- transferred to revenue	(9,093,255)	(10,342,000)
Conditions still to be met	**30,772,906**	**20,221,161**
FMG Grant		
Balance unspent at beginning of year	233,000	74,000
Current year receipts	750,000	500,000
Conditions met- transferred to revenue	(983,000)	(341,000)
Conditions still to be met	**–**	**233,000**

	2010 (R)	2009 (R)
7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS (Continued)		
MSIG Grant		
Balance unspent at beginning of year	–	–
Current year receipts	735,000	735,000
Conditions met- transferred to revenue	(735,000)	(735,000)
Conditions still to be met	**–**	**–**
Operation Hlasela		
Balance unspent at beginning of year	–	–
Current year receipts	9,092,789	–
Conditions met- transferred to revenue -		
Conditions still to be met	**9,092,789**	**–**

Refer to note 19 for detail of unspent grants.
See appendix "F" for reconciliation of grants.

8 PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations		
Friends of the poor		
Donations made during the year	15,549	–
Total donated funds available	**15,549**	**–**
9 VAT		
VAT - Receivable / (Payable)	(4,874,176)	853,184
VAT - Accrued on Debtors	(9,313,073)	(7,594,445)
	(14,187,248)	**(6,741,261)**

VAT is payable/receivable on the cash basis.

10 PROPERTY, PLANT AND EQUIPMENT

See page 77

	2010 (R)	2009 (R)
11 INVENTORY		
Consumable stores - at cost	429,476	277,727
Water – at cost	44,851	–
Water was not previously recognised as inventory. As reliable records of water inventory at the end of the comparative financial year is not available, and as the amount is not expected to be material, water inventory is taken on in the current financial year and no adjustment is made to the opening balance.		
Total Inventory	**474,327**	**277,727**
Consumable stores materials written down due to losses as identified during the annual stores counts.	–	–
Consumable stores materials surplusses identified during the annual stores counts.	**39,944**	**–**
Inventory recognised as an expense during the year.	**–**	**–**
12 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service receivables		
Water	26,443,303	27,574,811
Electricity	8,870,266	2,898,017
Refuse	17,939,795	16,230,363
Sewerage	19,295,321	16,687,885
Sundry receivables	1,562,967	–
Total service receivables	**74,111,652**	**63,391,076**
Less: Allowance for doubtful debts	(69,032,544)	(44,045,891)
Net Service Receivables	**5,079,107**	**19,345,185**
Other receivables		
Interest	7,944,234	–
Total other receivables	**7,944,234**	**–**
Less: Allowance for doubtful debts	(7,399,791)	–
Net other receivables	**544,444**	**–**
Total gross receivables from exchange transactions	**82,055,886**	**63,391,076**
Less: Allowance for doubtful debts	(76,432,335)	(44,045,891)
Total net receivables from exchange transactions	**5,623,551**	**19,345,185**
Ageing of receivables from exchange transactions		
Ageing		
Current (0 - 30 days)	5,360,551	(243,166)
31 - 60 Days	4,061,372	7,618,483
61 - 90 Days	3,198,148	1,609,736
91 - 120 Days	4,190,386	16,883,368
121 Days +	65,245,430	37,522,655
Total	**82,055,886**	**63,391,076**

	2010 (R)	2009 (R)
13 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service receivables		
Taxes - Rates	13,002,113	7,537,854
Total service receivables	**13,002,113**	**7,537,854**
Less: Allowance for doubtful debts	(12,111,037)	(5,950,386)
Net service receivables	**891,076**	**1,587,468**
Total net receivables from non-exchange transactions	**891,076**	**1,587,468**
Ageing of receivables from non-exchange transactions		
(Rates): Ageing		
Current (0 - 30 days)	883,894	(2,507,406)
31 - 60 Days	684,347	282,838
61 - 90 Days	547,997	138,426
90 - 120 Days	656,952	1,457,312
121 Days +	10,228,923	8,166,684
Total	**13,002,113**	**7,537,854**

Summary of receivables by customer classification (Exchange and non-exchange revenue combined)

	Residential, Industrial & Commercial (R)	Other Debtors (R)	National and Provincial Government (R)	Total (R)
2010				
Total receivables	83,873,393	9,417,682	1,766,925	95,057,999
Less: Provision for doubtful debts	(78,125,282)	(8,772,258)	(1,645,832)	(88,543,373)
Total recoverable debtors	**5,748,110**	**645,424**	**121,093**	**6,514,627**
2009				
Total Receivables	62,837,468	6,742,885	1,348,577	70,928,930
Less: Provision for doubtful debts	(44,292,779)	(4,752,915)	(950,583)	(49,996,277)
Total recoverable debtors	**18,544,689**	**11,495,800**	**397,994**	**20,932,653**

Trade and other receivables impaired (Exchange and non-exchange revenue combined)

		Exchange Transactions (R)	Non-Exchange Transactions (R)	Total (R)
2010	**Total**	**(76,432,335)**	**(12,111,037)**	**(88,543,372)**
2009	**Total**	**(44,045,891)**	**(5,950,386)**	**(49,996,277)**

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. The fair value of trade and other receivables approximates their carrying amounts.

	2010 (R)	2009 (R)
Reconciliation of the Total doubtful debt provision		
Balance at beginning of the year	49,996,277	17,991,262
Contributions to provision	38,547,096	32,005,015
Balance at end of year	88,543,373	49,996,277

	2010 (R)	2009 (R)
13 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. The fair value of trade and other receivables approximates their carrying amounts.		
Reconciliation of the Total doubtful debt provision		
Balance at beginning of the year	49,996,277	17,991,262
Contributions to provision	38,547,096	32,005,015
Balance at end of year	**88,543,373**	**49,996,277**
14 OTHER DEBTORS		
Government subsidies	6,295,193	6,295,193
Payments in advance - ATM suspense account	1,190,049	1,555,781
Balance at end of year	**7,485,242**	**7,850,974**
15 OPERATING LEASE ARRANGEMENTS		
Operating lease agreements where the municipality acts as lessor and lessee do not give rise to signiifcant lease assets or liabilities.	–	–
16 INVESTMENTS		
Unlisted		
VKB Shares	5,000	5,000
VKB Shares	5,000	5,000
VKB Fund accounts	223,086	182,381
VKB: Levies fund	94,420	88,547
VKB: Investment fund	1,084	1,017
VKB: Interest fund	127,582	92,817
Balance at end of year	**228,086**	**187,381**

	2010 (R)	2009 (R)
17 CASH AND CASH EQUIVALENTS		
Assets		
Primary bank account	11,478,681	–
Call investments deposits (Current and fixed)	249,042	139,472
Cash floats	13,539	–
Total cash and cash equivalents - Assets	**11,741,262**	**139,472**
Liabilities		
Primary Bank Account	–	(10,238,846)
Total cash and cash equivalents - Liabilities	**–**	**(10,238,846)**
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The municipality has the following bank accounts:		
Current accounts		
ABSA - Frankfort Branch – 4052823517 (Primary bank account):	11,478,681	(10,238,846)
- Cashbook	35,574,518	(10,238,846)
- Receipts unprocessed	(24,095,837)	–
Fixed deposit accounts		
ABSA - Frankfort Branch – 990111270 (Call savings account):	9,574	9,413
ABSA - Frankfort Branch – 9229618782 (Call account - Friends of the poor):	15,559	–
ABSA - Frankfort Branch – 9232387538 (Operation Hlasela):	85,781	–
Fixed deposit accounts < 1 year		
ABSA - Frankfort Branch – 2066919592 (Fixed deposit account):	138,135	130,059
Cash and cash equivalents - Favourable balances	**11,741,262**	**139,472**
Cash and cash equivalents - Overdraft	**–**	**(10,238,846)**
	11,741,262	**(10,099,374)**
ABSA - Frankfort Branch – 4052823517 (Primary bank account):		
Cash book balance at beginning of year	(10,238,846)	9,457,050
Cash book balance at end of year	35,574,518	(10,099,374)
Bank statement balance at beginning of year	(8,369,253)	711,727
Bank statement balance at end of year	252,522	(8,369,253)
ABSA - Frankfort Branch – 990111270 (Call savings account):		
Bank statement / Cash book balance at beginning of year	9,413	1,468,382
Bank statement / Cash book balance at end of year	9,574	9,413
ABSA - Frankfort Branch - 9229618782 (Call account - Friends of the poor):		
Bank statement / Cash book balance at beginning of year	–	–
Bank statement / Cash book balance at end of year	15,553	–
ABSA - Frankfort Branch – 9232387538 (Operation Hlasela):		
Bank statement / Cash book balance at beginning of year	–	–
Bank statement / Cash book balance at end of year	85,781	–
ABSA - Frankfort Branch – 2066919592 (Fixed deposit account):		
Bank statement balance at beginning of year	130,059	84,149
Bank statement balance at end of year	138,135	130,059

	2010 (R)	2009 (R)
18 PROPERTY RATES		
Actual		
Rateable land and buildings	22,219,065	4,768,382
Residential, commercial property, state	22,219,065	4,768,382
Less: Rebates	(9,131,124)	–
Total assessment rates	**13,087,940**	**4,768,382**
Valuations 1 July		
Rateable land and buildings	1,128,884,362	–
Residential	468,048,144	
Business / Industrial	128,793,800	
Government	10,102,730	
Churches / Religious	14,850,000	
Schools / Educational	53,282,000	
Farms	444,184,468	
Other	9,623,220	
Total valuation	**1,128,884,362**	**–**
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates are granted on land with buildings used solely for dwellings purposes as follows: Residential: R 15 000 exempted.		
Assessment rates are levied on the values of immovable properties. Rates are levied monthly and annually and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates.		
19 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	**42,565,551**	**37,780,433**
Equitable Share - Refer to Note 19.1	42,565,551	37,780,433
Conditional Grants	**10,811,255**	**11,418,000**
Municipal Infrastructure Grant (MIG)	9,093,255	10,342,000
Municipal Systems Infrastructure Grant (MSIG)	983,000	735,000
Financial Management Grant (FMG)	735,000	341,000
Operation Hlasela	–	–
Total Government Grants and Subsidies	**53,376,805**	**49,198,433**
Government Grants and Subsidies - Capital	9,093,255	10,342,000
Government Grants and Subsidies - Operating	44,283,551	38,856,433
	53,376,805	**49,198,433**
The municipality does not expect any significant changes to the level of grants. Refer to note 7 for detail of unspent grants.		

	2010 (R)	2009 (R)
19.1 Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant. All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies are based on the cost of free basic services of R206.38 per month (2009: R190.80).		
(See Appendix "F" for a reconciliation of all grants).		
20 CHANGES IN FAIR VALUE		
20.1 Transactions that give an increase / decrease in surplus		
Unamortised discount - Interest - Income	–	691,319
Unamortised discount - Interest - Expenditure	181,570	–
Total changes in fair value	**181,570**	**691,319**
21 SERVICE CHARGES		
Electricity	26,309,258	11,364,356
Water	6,823,688	(11,763,217)
Refuse removal	7,556,395	21,762,329
Sewerage and Sanitation Charges	7,779,506	5,703,546
Total Service Charges	**48,468,847**	**27,067,014**
22 OTHER REVENUE		
Fines	152,965	140,772
Amortisation of Long term liabilities	–	691,319
Total Other Income	**152,965**	**832,091**

	2010 (R)	2009 (R)
23 EMPLOYEE RELATED COSTS (Continued)		
Employee related costs - Salaries and wages	35,341,287	21,926,411
Employee related costs - Contributions for UIF, pensions and medical aids	6,665,221	5,581,154
Travel, motor car, accommodation, subsistence and other allowances	1,194,214	1,177,614
Housing benefits and allowances	94,531	38,789
Overtime	1,064,301	1,501,160
Acting allowances		
Performance bonuses	–	2,085,435
Annual bonuses	1,970,024	–
Annual bonus provision raised	999,775	–
Provision for leave	1,017,139	320,021
Other	429,946	296,441
	48,776,437	32,927,025
Less: Employee costs allocated elsewhere	–	–
Total Employee Related Costs	**48,776,437**	**32,927,025**
KEY MANAGEMENT PERSONNEL		
Municipal Manager		
After resignation of the Municipal Manager, Mr NL Masoka on 30 April 2010, the position was filled by Mr Radebe in an acting capacity. Mr Radebe was officially appointed as Municipal Manager on 1 August 2010.		
Chief Financial Officer		
The prior CFO, Mr NA Hlubi resigned on 30 April 2010, at which time, Mr NN Molefe took over the position in an acting capacity.		
Director of Corporate Services		
On appointment as acting municpal manager Mr IP Radebe, Mr MS Malindi took over responsibilities as Acting Director of Corporate Services. The position is still vacant.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager		
Annual remuneration	368,815	306,480
Performance bonuses	–	–
Travel, motor car, accommodation, subsistence and other allowances	238,336	300,000
Contributions to UIF, medical and pension funds	78,137	43,831
Other	143,418	3,495
Total	**828,706**	**653,806**
Remuneration of the Municipal Manager		
Annual remuneration	346,211	367,890
Performance bonuses	–	–
Travel, motor car, accommodation, subsistence and other allowances	142,561	144,000
Contributions to UIF, medical and pension funds	1,497	1,373
Other	136,689	3,407
Total	**626,958**	**516,670**

23 EMPLOYEE RELATED COSTS (Continued)

	Technical Services (R)	Corporate Services (R)	Community Services (R)
Remuneration of Individual Executive Directors			
2010			
Annual remuneration	329,662	388,392	425,340
Performance- and other bonuses	–	–	–
Travel, motor car, accommodation, subsistence and other allowances	204,400	61,681	88,827
Contributions to UIF, medical and pension funds	1,497	82,205	89,883
Other	5,070	70,662	4,339
Total	**540,629**	**602,940**	**608,389**
2009			
Annual remuneration	45,247	472,528	472,528
Performance- and other bonuses	–	–	29,533
Travel, motor car, accommodation, subsistence and other allowances	5,875	109,640	102,779
Contributions to UIF, medical and pension funds	6,083	77,175	70,215
Other	5,799	59,426	2,776
Total	**63,004**	**718,769**	**677,831**

	2010 (R)	2009 (R)
24 REMUNERATION OF COUNCILLORS		
Executive Mayor	696,686	857,320
Speaker	570,825	671,082
Executive Committee Members	551,044	657,039
Councillors	2,652,967	3,348,825
Total councillors' remuneration	**4,471,521**	**5,534,266**
In-kind Benefits		
The Mayor/Speaker and exco members are appointed on a full time basis full-time. The Mayor is provided with an office at the cost of the Council.		
25 DEBT IMPAIRMENT		
Trade receivables from exchange transactions - Note 12	31,147,305	28,195,888
Trade receivables from non-exchange transactions - Note 12	7,399,791	3,809,127
Other	8,378	–
Total contribution to impairment provision	**38,555,474**	**32,005,015**
26 REPAIRS AND MAINTENANCE		
Repairs and maintenance	4,839,110	3,066,758
Total repairs and maintenance	**4,839,110**	**3,066,758**

	2010 (R)	2009 (R)
27 FINANCE CHARGES		
Long-term liabilities	101,463	–
Overdraft facilities	80,108	255,618
Total finance charges	**181,570**	**255,618**
28 BULK PURCHASES		
Electricity (ESKOM)	10,724,870	15,677,991
Water (DWAF)	890,781	–
Total Bulk Purchases	**10,724,870**	**15,677,991**
29 GENERAL EXPENSES		
Administration	1,238,534	
Audit and Accounting Fees	5,624,369	
Bank Charges	747,575	
Clothing	142,783	
Computer Expenses	173,127	
Conferences	496,758	
Consumables	136,723	
Entertainment	140,832	
Implementation of rates and town planning	2,126,013	
Legal Costs	404,496	
Mayoral projects	539,802	
Posting, printing and stationery	576,413	
Rental	392,968	
Skills development	318,429	
Subsidies	610,438	
Sundry	3,246,235	
Telephone	775,490	
Training	278,099	
Travel and subsistence	1,253,578	
Vehicle expenses	1,149,504	
Water treatment	1,083,035	
General Expenses	**21,455,199**	**14,786,175**

	2010 (R)	2009 (R)
30 CORRECTION OF ERROR		
30.1 Long term liabilities - annuity loans		
Balance previously reported		1,791,610
Amortisation charges corrected - Note 30.09		(691,319)
Correction of current portion of long term liabilities - Note 30.02		(151,558)
Restated balance		**948,733**
30.2 Current portion of long term liabilities - annuity loans		
Balance previously reported		134,449
Correction of Short term portion - Note 30.01		151,558
Restated balance		**286,007**
30.3 Investments - VKB		
Balance previously reported		182,381
Correction of R5000 VKB Shares not previously recognised - Note 30.08		5,000
Restated balance		**187,381**
30.4 Trade receivables		
Balance previously reported		17,432,576
Trade receivables from exchange transactions		15,357,810
Trade receivables from non-exchange transactions		2,074,766
Corrections		3,500,077
Reclassification of VAT - Note Accumulated Surplus/(Deficit) (2008)		7,594,445
Correction of difference between Ledger and Subledger VAT - Note Accumulated Surplus/(Deficit) (2008)		(5,235,057)
Reclassification of credit balances - Note Trade and other payables		1,140,690
Restated balance		**20,932,653**
Trade Receivables from exchange transactions		**19,345,185**
Trade Receivables from non-exchange transactions		**1,587,468**
30.5 VAT		
Balance previously reported		853,184
(Previously included under other debtors)		
Reclassification of credit balances included in debtors - Note 30.04		(7,594,445)
Restated balance		**(6,741,261)**
30.6 Trade and other payables		15,453,873
Balance previously reported		15,453,873
Reclassification of credit balances included in debtors - Note 30.04		1,140,690
Reclassification of leave provision to short term employee benefits - Note 30.07		(320,021)
Restated balance		**16,274,542**

		2010 (R)	2009 (R)
30.7	**Current employee benefits -**		
	Balance previously reported		–
	Reclassification of leave provision to current employee benefits - Note 30.06		320,021
	Restated balance		**320,021**
30.8	**Accumulated Surplus/(Deficit) (2008)**		
	Investments (VKB) - Investment not recognised - Note 30.03	–	5,000
	Trade receivables - correction Note - 30.04	–	(5,235,057)
	Total	**–**	**(5,230,057)**
30.9	**Changes to the statement of performance / Accumulated Surplus / (Deficit) 2009**		
	Movements on the statement of performance as required by GRAP.		
	Annuity loans - Amortised charges not recognised - Note 30.01	–	(691,319)
	Total	**–**	**(691,319)**
31	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus/(Deficit) for the year	(4,693,019)	(20,159,275)
	Adjustments for:		
	Depreciation	–	1,655,857
	Contribution to employee benefits – current	2,016,914	320,021
	Contribution to provisions – Debt Impaiment	38,555,474	32,005,015
	Unamortised discount - Interest - Expenditure / (Income)	181,570	(691,319)
	Interest income	(84,010)	(96,088)
	Interest expense	181,072	255,618
	Correction on debtors opening balance	–	(5,235,057)
	Other	(49,084)	(231,558)
	Operating Surplus/(Deficit) before changes in working capital	36,108,917	7,823,214
	Changes in working capital	(3,502,706)	(162,600)
	Increase/(Decrease) in Trade and Other Payables	(6,502,528)	(21,019,782)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	19,427,083	20,198,161
	Increase/(Decrease) in Taxes	7,445,987	6,741,261
	Increase/(Decrease) in consumer deposits	86,690	55,629
	(Increase)/Decrease in Inventory	(196,600)	456,984
	(Increase)/Decrease in other debtors	365,732	(6,845,964)
	(Increase)/Decrease in Trade Receivables from exchange transactions	(18,664,810)	251,111
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(5,464,259)	–
	Cash generated/(absorbed) by operations	**32,606,211**	**7,660,613**

		2010 (R)	2009 (R)
30.7	Current employee benefits -		
	Balance previously reported		–
	Reclassification of leave provision to current employee benefits - Note 30.06		320,021
	Restated balance		**320,021**
30.8	**Accumulated Surplus/(Deficit) (2008)**		
	Investments (VKB) - Investment not recognised - Note 30.03	–	5,000
	Trade receivables - correction Note - 30.04	–	(5,235,057)
	Total	**–**	**(5,230,057)**
30.9	**Changes to the statement of performance / Accumulated Surplus / (Deficit) 2009**		
	Movements on the statement of performance as required by GRAP.		
	Annuity loans - Amortised charges not recognised - Note 30.01	–	(691,319)
	Total	**–**	**(691,319)**
32	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Current account - Note 17	11,478,681	–
	Cash Floats - Note	17 13,539	–
	Call deposits - Note 17	249,042	139,472
	Bank overdraft - Note 17	–	(10,238,846)
	Total cash and cash equivalents	**11,741,262**	**(10,099,374)**
33	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term liabilities - Note 3	2,027,522	1,926,059
	Used to finance property, plant and equipment - at cost	–	–
		–	–
	Cash set aside for the repayment of long-term liabilities	–	–
	Cash invested for repayment of long-term liabilities	**–**	**–**
	The Annuity Loans carry interest of 5 % and will be repaid by 2018		

	2010 (R)	2009 (R)
34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
34.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	–	–
Unauthorised expenditure current year - capital	–	–
Unauthorised expenditure current year - operating	–	–
Approved by Council or condoned	–	–
Transfer to receivables for recovery	–	–
Unauthorised expenditure awaiting authorisation	**–**	**–**
Comments on Incidents reported - None		
34.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	–	–
Fruitless and wasteful expenditure current year	–	–
Arrear Interest - Eskom	66,023*	–
Arrear Interest - DWAF	7,217,711*	–
Arrear Interest - DBSA on arrears	13,729	–
Arrear Interest - Other	–	–
Condoned or written off by Council	–	–
Transfer to receivables for recovery - not condoned	–	–
Fruitless and wasteful expenditure awaiting condonement	**7,297,463**	**–**
* Note that all interest have not been accounted for in 2010 as payments and processing of creditors are pending.		
Comments on Incidents reported - None		
34.2 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	39,917,770	8,592,720
Irregular expenditure current year	–	–
Excess councillor payment according to incorrect grading	731,515	1,062,875
Other	–	30,262,175
Condoned or written off by Council	–	–
Transfer to receivables for recovery - not condoned	–	–
Irregular expenditure awaiting condonement / recovery	**40,649,285**	**39,917,770**
Comments on Incidents reported - None		

		2010	2009
34.2	**Material Losses**		
	Electricity distribution losses		
	Units purchased (Kwh)	71,189,046	–
	Units lost during distribution (Kwh)	17,009,714	–
	Percentage lost during distribution	23.89%	
	Electricity loss statistics are only available from 1 July 2009.		
	Water distribution losses		
	Mega litres purified	–	–
	Mega litres lost during distribution	–	–
	Percentage lost during distribution	0.00%	0.00%
	No statistics on water losses are available.		

		2010 (R)	2009 (R)
35	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**		
35.1	**Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**		
	Opening balance	–	–
	Council subscriptions	(391,178)	–
	Amount paid - current year	330,757	–
	Amount paid - previous years	–	–
	Balance unpaid (included in creditors)	**(60,421)**	**–**
	Sufficient detail unavailable		
35.1	**Audit fees - [MFMA 125 (1)(b)]**		
	Opening balance	–	–
	Current year audit fee	2,475,680	–
	External Audit - Auditor-General	2,475,680	–
	Amount paid - current year	–	–
	Balance unpaid (included in creditors)	**2,475,680***	**–**
	*This amount is not included in creditors, but is part of the amount included under commitments. Refer to note 6 and note 37.		
35.3	**VAT - [MFMA 125 (1)(b)]**		
	VAT	**14,187,248**	**6,741,261**
	VAT is payable/receivable on the cash basis.		
35.4	**PAYE, SDL and UIF - [MFMA 125 (1)(b)]**		
	Opening balance	153,374	253,189
	Current year payroll deductions and council contributions	5,023,641	2,613,710
	Amount paid - current year	(2,054,125)	(2,713,525)
	Balance unpaid (included in creditors)	**3,122,891**	**153,374**

	2010 (R)	2009 (R)
35.5 Pension and Medical aid deductions - [MFMA 125 (1)(b)]		
Opening balance	714,218	541,855
Current year payroll deductions and council contributions	9,845,548	7,699,481
Amount paid - current year	(4,001,407)	(7,527,118)
Balance unpaid (included in creditors)	**6,558,359**	**714,218**
35.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
The following councillors had arrear accounts for more than 90 days as at 30 June 2010		
Cllr D. Tshabalala	529	–
Cllr J. Hlongwane	1,995	–
Total Councillor Arrear Consumer Accounts	**2,524**	**–**

35.7 Quotations awarded - Section 45 - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and	Between R200,001 and R2,000,000	More than R2,000,001
Executive & Council	–	–	–	–
Corporate Services	–	–	–	–
Development Services	–	–	–	–
Financial Services	–	–	–	–
Technical Services	–	–	–	–
Electrical Services	–	–	–	–

37 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:		
Approved and contracted for:	94,512,948	24,825,050
Infrastructure	30,650,586	24,825,050
Creditors pending processing	63,862,363	–
Total	**94,512,948**	**24,825,050**
This expenditure will be financed from:		
Government grants	30,650,586	24,825,050
Government grants / Own funds	63,862,363	–
	94,512,948	**24,825,050**

Creditors pending represent balances owing to to DWAF, Eskom and sundry creditors at year-end which have not yet been processed Refer also to trade payables (note 7) for detail.

	2010 (R)	2009 (R)
38 FINANCIAL RISK MANAGEMENT		
The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
(a) Foreign Exchange Currency Risk The municipality does not engage in foreign currency transactions.		
(b) Price risk The municipality is not exposed to price risk.		
(c) Interest Rate Risk As the municipality has interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.		
The municipality analyses its potential exposure to interest rate changes by assessing the impact of changes in interest rates.		
The municipality did not hedge against any interest rate risks during the current year.		
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
0.5% (2009 - 0.5%) - increase in interest rates	(9,079)	(11,619)
0.5% (2009 - 0.5%) - decrease in interest rates	9,079	11,619
(d) Credit Risk		
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.		
Credit risk is contained mainly in cash and cash equivalents, trade and other receivables.		
Trade and other debtors are disclosed net of provisions for impairment. Trade debtors comprise a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be high due to a history of non-payment and limited follow-up procedures by the municipality in the past. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection in terms of council's credit control and debt collection Policies.		

38 FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit Risk (Continued)

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 12 and 13 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as:

	2010 %	2010 (R)	2009 %	2009 (R)
Rates	13.68%	12,111,037	11.90%	5,950,386
Water	27.82%	24,631,060	38.32%	19,159,749
Electricity	9.33%	8,262,358	4.03%	2,013,623
Refuse	18.87%	16,710,324	22.56%	11,277,310
Sewerage	20.30%	17,972,951	23.19%	11,595,209
Other	1.64%	1,455,852	0.00%	–
Interest	8.36%	7,399,791	0.00%	–
	100.00%	**88,543,372**	**100.00%**	**49,996,277**

	2010 (R)	2009 (R)
The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although te credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.		
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low.		
Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting.		
Financial assets exposed to credit risk at year-end are as follows:		
Trade receivables (Net)	6,514,627	20,932,653
Cash and Cash Equivalents (favourable balances)	11,741,262	139,472
	18,255,889	**21,072,126**

38 FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
2010				
Long Term liabilities	627,018	1,196,460	598,012	–
Capital repayments	384,449	925,225	555,596	–
Interest	242,569	271,235	42,417	–
Trade and Other Payables	9,772,013	–	–	–
Unspent conditional government grants and receipts	39,865,696	–	–	–
	50,891,745	**2,392,920**	**1,196,025**	**–**
2009				
Long Term liabilities	373,997	1,196,460	837,304	–
Capital repayments	225,218	880,729	759,323	–
Interest	148,779	315,731	77,981	–
Trade and Other Payables	16,274,542	–	–	–
Unspent conditional government grants and receipts	20,454,161	–	–	–
	37,102,700	**1,196,460**	**837,304**	**-**

	2010 (R)	2009 (R)
39 FINANCIAL INSTRUMENTS		
In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:		
The fair value of financial instruments appoximates the amortised costs as reflected bellow.		
39.1 Financial Assets		
Consumer Debtors		
Trade receivables from exchange transactions	74,111,652	63,391,076
Other receivables from exchange transactions	7,944,234	–
Other receivables from non-exchange transactions	13,002,113	7,537,854
	95,057,999	**70,928,930**
Allowance for bad debt	(88,543,372)	(49,996,277)
Net consumer debtors	6,514,627	20,932,653
Other Debtors		
Other Receivables	6,295,193	6,295,193
Bank Balances and Cash		
Bank Balances (Favourable cash book balances)	11,727,723	139,472
Cash Floats and Advances	13,539	–
Summary of financial assets	**24,551,082**	**27,367,319**
At amortised cost	**24,551,082**	**27,367,319**
39.1 Financial Assets		
Long-term Liabilities		
Annuity Loans	1,379,358	1,579,007
Trade Payables		
Consumer deposits	1,026,917	940,227
Trade Payables		
Trade creditors	9,772,013	16,274,542
Unspent Conditional Grants and Receipts		
Government	39,865,696	20,454,161
Current Portion of Long-term Liabilities		
Annuity Loans	546,701	286,007
Summary of financial liabilties	**52,590,685**	**39,533,943**
At amortised cost	**52,590,685**	**39,533,943**

	2010 (R)	2009 (R)
40 EVENTS AFTER THE REPORTING DATE		
No significant events occurred after the reporting date.		
41 IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any in-kind donations or assistance during the year under		
42 PRIVATE PUBLIC PARTNERSHIPS		
Council has not entered into any private public partnerships during the financial year.		
43 CONTINGENT LIABILITY		
Sundry legal action	–	350,000
	–	**350,000**

44 RELATED PARTIES

44.1 Related Party Transactions

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

44.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.

45 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

45.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Ac counting Standards Board, issued in February 2008. The municipality did not recognise provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

45.2 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties.

The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

45 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES (Continued)

45.3 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software
Intangible assets financed by way of finance leases
Intangible assets transferred as a result of the transfer of functions
Servitudes

The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

45.4 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following inventories:

Land held for sale

The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

45.5 GRAP 17 - Property, Plant and Equipment

The municipality takes advantage of the transitional provisons as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R0 as it might have an effect on other classes of assets such as Investment Properties, Intangible Assets or Inventory. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land
Small asset items below a R 5 000 threshold previously expensed
Property, Plant and Equipment financed by way of finance leases
Property, Plant and Equipment financed by way of provisions
Property, Plant and Equipment transferred as a result of the transfer of functions
Componentised infrastructure assets

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it measured in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements.The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present the calculation of depreciation has been ceased.

The municipality is still in progress with regards to the measuring of the following, in terms of the transitional provisions:

Review of useful life of item of PPE recognised in the annual financial statements.
Review of the depreciation method applied to PPE recognised in the annual financial statements.
Review of residual values of item of PPE recognised in the annual financial statements.
Impairment of non-cash generating assets.
Impairment of cash generating assets

10 PROPERTY, PLANT AND EQUIPMENT	Land and Buildings (R)	Infra-structure (R)
30 JUNE 2010		
Reconciliation of Carrying Value		
Carrying value at 1 July 2008	**3,465,428**	**196,306,044**
Cost	3,704,424	206,150,618
As previously reported	3,704,424	206,150,618
Correction of error	–	–
Accumulated Depreciation	-238,996	-9,844,574
As previously stated	-238,996	-9,844,574
Correction of error	–	–
Capital Grants used to purchase PPE	–	9,093,255
PPE Purchased -	–	–
Disposals	–	–
Depreciation	–	–
Carrying value at 1 July 2010	**3,465,428**	**205,399,299**
Cost	3,704,424	215,243,873
Accumulated Depreciation	-238,996	-9,844,574
30 JUNE 2010		
Reconciliation of Carrying Value		
Carrying value at 1 July 2008	**3,584,926**	**186,549,480**
Cost	3,704,424	195,876,954
As previously reported	3,704,424	195,876,954
Correction of error -		
Accumulated Depreciation	-119,498	-9,327,474
As previously stated	-119,498	-9,327,474
Correction of error		
Capital Grants used to purchase PPE	–	10,342,000
PPE Purchased	–	–
Disposals	–	–
Depreciation	-119,498	-517,100
As previously reported	-119,498	-517,100
As previously reported (on disposal)	–	–
Correction of error	–	–
Carrying value at 1 July 2009	**3,465,428**	**196,306,044**
Cost	3,704,424	206,150,618
As previously reported	3,704,424	206,150,618
Correction of error -		
Accumulated Depreciation	-238,996	-9,844,574
As previously stated	-238,996	-9,844,574
Correction of error		

Community Assets (R)	Heritage Assets (R)	Other assets (R)	Housing Dev. Fund (R)	TOTAL (R)
4,759,929	**–**	**2,264,430**	**1,746,639**	**208,542,470**
5,817,691	–	2,776,577	2,134,781	220,584,091
5,817,691	–	2,776,577	2,134,781	220,584,091
–	–	–	–	–
-1,057,762	–	-512,147	-388,142	-12,041,621
-1,057,762	–	-512,147	-388,142	-12,041,621
–	–	–	–	–
–	–	–	–	9,093,255
–	–	1,676,722	–	1,676,722
–	–	–	–	–
–	–	–	–	–
4,759,929	**–**	**3,941,152**	**1,746,639**	**219,312,447**
5,817,691	–	4,453,299	2,134,781	231,354,068
-1,057,762	–	-512,147	-388,142	-12,041,621
5,288,810	**–**	**1,079,201**	**1,940,710**	**198,443,127**
5,817,691	–	1,295,041	2,134,781	208,828,891
5,817,691	–	1,295,041	2,134,781	208,828,891
-528,881	–	-215,840	-194,071	-10,385,764
-528,881	–	-215,840	-194,071	-10,385,764
–	–	–	–	10,342,000
–	–	1,481,536	–	1,481,536
68,336	–	–	–	-68,336
-528,881	–	-296,307	-194,071	-1,655,857
-528,881	–	-296,307	-194,071	-1,655,857
–	–	–	–	–
–	–	–	–	–
4,759,929	**–**	**2,264,430**	**1,746,639**	**208,542,470**
5,817,691	–	2,776,577	2,134,781	220,584,091
5,817,691	–	2,776,577	2,134,781	220,584,091
-1,057,762	–	-512,147	-388,142	-12,041,621
-1,057,762	–	-512,147	-388,142	-12,041,621

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

10.1 GRAP 17 - Property, Plant and Equipment

The municipality takes advantage of the transitional provisons as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;
Property, Plant and Equipment financed by way of finance leases;
Property, Plant and Equipment financed by way of provisions;
Property, Plant and Equipment transferred as a result of the transfer of functions; and
Componentised infrastructure assets

The municipality is currently in a process of identifying and valuing all Property, Plant and Equipment. It is expected that this process will be completed for inclusion in the 2011 financial statements.The Municipality is in the process of itemising all infrastructure, community and other assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation has been written back until such time when appropriate useful lives and residual values have been determined for each category of infrastructure, community and other assets.

The municipality therefore furthermore utilise the following transitional provisions:

Review of useful life of item of PPE
Review of the depreciation method applied to
Review of residual values of item of PPE recognised in the annual financial statements.
Impairment of non-cash generating assets.
Impairment of cash generating assets.

APPENDIX A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

	Rate	Loan Number	Redeemable	Balance at 30 June 2009	Change in Accounting Policy / Correction of Error	Balance at 30 June 2009 Restated	Received during the period	Interest Capitilised	Redeemed written off during the period	Balance at 30 June 2010
EXTERNAL LOANS										
ANNUITY LOANS										
DBSA	5.00%	25744	31/12/2018	1,926,059	–	1,926,059	–	101,463	–	2,027,522
Total Annuity Loans				**1,926,059**	**–**	**1,926,059**	**–**		**–**	**2,027,522**
LEASE LIABILITY				–	–	–	–		–	–
Total Lease Liabilities				–	–	–	–		–	–
TOTAL EXTERNAL LOANS				**1,926,059**	**–**	**1,926,059**	**–**		**–**	**2,027,522**

APPENDIX B - Unaudited

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation			
	Opening Balance	Additions	Under Construction	Revaluation
Land and Buildings				
Land and buildings	2,549,944	530,751	–	–
	2,549,944	**530,751**	**–**	**–**
Infrastructure				
Infrastructure Roads	16,561,183	11,642,812	–	–
Infrastructure – Streetlights	341,666	2,632,935	–	–
Infrastructure water	29,561,140	10,894,852	–	–
Infrastructure Electricity	14,538,585	67,038	–	–
Infrastructure Sewage	42,948,390	324,625	–	–
Infrastructure Refuse	48,160	–	–	–
	103,999,125	**25,562,261**	**–**	**–**
Community Assets				
Clinics	1,844,402	–	–	–
Libraries	474,193	–	–	–
Other	4,218,360	–	–	–
	6,536,955	**–**	**–**	**–**
Heritage Assets				
Heritage Assets				
	–	–	–	–
Other Assets				
Computer equipment	4,465,810	167,620	–	–
Furniture and equipment	7,476,328	106,019	–	–
Machinery	2,078,625	154,146	–	–
Vehicles	36,178,845	181,506	–	–
Other	212,647	–	–	–
	50,412,254	**609,290**	**–**	**–**
Housing development fund				
Housing development fund	5,106,861	–	–	–
	5,106,861	–	–	–
Total carried forward	**168,605,139**	**26,702,302**	**–**	**–**

The municipality is currently in a process of identifying and valuing all Property, Plant and Equipment. It is expected that this process will be completed for inclusion in the 2011 financial statements.The Municipality is in the process of itemising all infrastructure, community and other assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation has been written back until such time when appropriate useful lives and residual values have been determined for each category of infrastructure, community and other assets.

The above schedule represents the current fixed asset register. Please note that this fixed asset register is in progress as indicated above, and does not agree to the financial statements.

		Accumulated Depreciation				Carrying Value
Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
1,222,674	1,858,021	–		–	–	– 1,858,021
1,222,674	**1,858,021**	**–**	**–**	**–**	**–**	**1,858,021**
–	28,203,994	–	–	–	–	28,203,994
–	2,974,601	–	–	–	–	2,974,601
–	40,455,992	–	–	–	–	40,455,992
–	14,605,623	–	–	–	–	14,605,623
–	43,273,015	–	–	–	–	43,273,015
–	48,160	–	–	–	–	48,160
–	**129,561,386**	**–**	**–**	**–**	**–**	**129,561,386**
1,293,499	550,903	–	–	–	–	550,903
306,344	167,849	–	–	–	–	167,849
–	4,218,360	–	–	–	–	4,218,360
1,599,843	**4,937,113**	**–**	**–**	**–**	**–**	**4,937,113**
	–	–	–	–	–	–
–	–	–	–	–	–	–
764,786	3,868,643	–	–	–	–	3,868,643
36,660	7,545,686	–	–	–	–	7,545,686
42,137	2,190,633	–	–	–	–	2,190,633
4,472,902	31,887,449	–	–		–	– 31,887,449
140	212,507	–	–	–	–	212,507
5,316,625	**45,704,919**	**–**	**–**	**–**	**–**	**45,704,919**
–	5,106,861	–	–	–	–	5,106,861
–	5,106,861	–	–	–	–	5,106,861
8,139,142	**187,168,299**	**–**	**–**	**–**	**–**	**187,168,299**

On completion of restructuring of the asset register the relevant fixed asset accounts in the general ledger will be updated.

The difference is highlighted as follows:

- As above	187,168,299
- Financial statements	219,312,447
- Difference	**-32,144,147**

APPENDIX C - Unaudited

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation			
	Opening Balance	O/B Under Construction	Additions	Under Construction
Executive & Council	1,533,943	–	–	–
Budget & Treasury	,824,245	–	167,620	–
Corporate Services	6,284,034	–	–	–
Technical Services	3,669,056	–	–	–
Housing	10,909,113	–	250,800	–
Community & Social Services	3,749,476	–	567,476	–
Roads and stormwater	34,913,825	–	14,275,747	–
Sewerage	44,847,867	–	478,770	–
Electricity	30,113,815	–	67,038	–
Water	25,759,765	–	10,894,852	–
	168,605,139	**–**	**26,702,302**	**–**

The municipality is currently in a process of identifying and valuing all Property, Plant and Equipment. It is expected that this process will be completed for inclusion in the 2011 financial statements.The Municipality is in the process of itemising all infrastructure, community and other assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation has been written back until such time when appropriate useful lives and residual values have been determined for each category of infrastructure, community and other assets.

The above schedule represents the current fixed asset register. Please note that this fixed asset register is in progress as indicated above, and does not agree to the financial statements. On completion of restructuring of the asset register the relevant fixed asset accounts in the general ledger will be updated.

		Accumulated Depreciation				Carrying Value
Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
–36,660	1,497,282	–	–	–	–	1,497,282
–764,786	6,227,078	–	–	–	–	6,227,078
–	6,284,034	–	–	–	–	6,284,034
–4,472,902	–803,846	–	–	–	–	(803,846)
–1,222,674	9,937,239	–	–	–	–	9,937,239
–1,599,982	2,716,969	–	–	–	–	2,716,969
–	49,189,572	–	–	–	–	49,189,572
–42,137	45,284,500	–	–	–	–	45,284,500
–	30,180,853	–	–	–	–	30,180,853
–	36,654,617	–	–	–	–	36,654,617
(8,139,142)	**187,168,299**	**–**	**–**	**–**	**–**	**187,168,299**

The above schedule represents the current fixed asset register. Please note that this fixed asset register is in progress as indicated above, and does not agree to the financial statements. On completion of restructuring of the asset register the relevant fixed asset accounts in the general ledger will be updated.

The difference is highlighted as follows:

- As above	187,168,299
- Financial statements	219,312,447
- Difference	**-32,144,147**

APPENDIX D - Unaudited

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2009 Actual Income (R)	2009 Actual Expenditure (R)	2009 Surplus/(Deficit) (R)
85,749,430	(105,908,705)	(20,159,275)
–	–	–
(85,749,430	(105,908,705)	(20,159,275

	2010 Actual Income (R)	2010 Actual Expenditure (R)	2010 Surplus/(Deficit) (R)
Council and executive	–	(6,505,326)	(6,505,326)
Office of the MM	–	(10,064,992)	(10,064,992)
Community and social Services	7,556,395	(242,222)	7,314,173
Corporate Services	–	(42,346,554)	(42,346,554)
Land use human settlement	–	(1,194,434)	(1,194,434)
Budget and Treasury	65,015,586	(50,706,184)	14,309,403
Pump Maintenance	–	(564,388)	(564,388)
Project Management Unit	7,476,255	(1,225,646)	6,250,608
Roads	–	(887,449)	(887,449)
Electricity	26,381,856	(10,724,870)	15,656,986
Water	7,103,786	(659,692)	6,444,094
Sewerage	10,130,034	(635,966)	9,494,067
Mechanical	–	(1,594,690)	(1,594,690)
Water testing	–	(1,004,519)	(1,004,519
Sub Total	**123,663,913**	**(128,356,932)**	**(4,693,019)**
Less Inter-Departmental Charges	–	–	–
Total	**123,663,913**	**(128,356,932)**	**(4,693,019**

APPENDIX E(1) - Unaudited

REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)
REVENUE			
Property Rates	13,087,940	9,587,935	3,500,005
Service Charges	48,468,847	57,608,872	(9,140,025)
Operating Grants and Subsidies	42,565,551	50,892,604	(8,327,053)
Capital Grants and Subsidies	10,811,255	15,901,000	(5,089,745)
Fines	152,965	154,000	(1,035)
Interest Earned - External Investments	84,010	–	84,010
Interest Earned - Outstanding Debtors	6,858,245	2,625,000	4,233,245
Rental	304,387	518,000	(213,613)
Other Revenue	1,330,713	–	1,330,713
Total Revenue	**123,663,913**	**137,287,411**	**(13,623,498)**
EXPENDITURE			
Council and executive	(6,505,326)	(6,156,010)	(349,315)
Office of the MM	(10,064,992)	(8,598,995)	(1,465,997)
Community and social Services	(242,222)	(18,989,314)	18,747,092
Corporate Services	(42,346,554)	(6,095,405)	(36,251,149)
Land use human settlement	(1,194,434)	(2,272,641)	1,078,206
Budget and Treasury	(50,706,184)	(20,607,363)	(30,098,820)
Pump Maintenance	(564,388)	(394,989)	(169,399)
Project Management Unit	(1,225,646)	(841,185)	(384,461)
Roads	(887,449)	(6,223,941)	5,336,493
Electricity	(10,724,870)	(33,477,529)	22,752,658
Water	(659,692)	(23,814,986)	23,155,294
Sewerage	(635,966)	(13,874,835)	13,238,869
Mechanical	(1,594,690)	(1,452,675)	(142,015)
Water testing	(1,004,519)	(620,411)	(384,108)
Total Expenditure	**(128,356,932)**	**(143,420,280)**	**15,063,348**
SURPLUS / (DEFICIT) FOR THE YEAR	**(4,693,019)**	**(6,132,869)**	**1,439,850**

2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
37%	Updated valuation roll
-16%	Billing errors
-16%	
-32%	All qualifying expenditure not processed
-1%	
0%	
161%	
-41%	Value not significant
0%	
-10%	
6%	
17%	
-99%	
595%	
-47%	
146%	Impairment of receivables included
43%	
46%	
-86%	
-68%	Not all bulk purchases processed
-97%	Not all bulk purchases processed
-95%	
10%	
62%	
-11%	
-23%	

APPENDIX E(2) - Unaudited

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
ACGUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGABLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual (R)	2010 Under Construction (R)	2010 Total Additions (R)
Council and executive	–	–	–
Office of the MM	–	–	–
Community and social Services	63,646	–	63,646
Corporate Services	6,138	–	6,138
Land use human settlement	–	–	–
Budget and Treasury	15,582	–	15,582
Pump Maintenance	–	–	–
Project Management Unit	–	–	–
Roads	–	–	–
Electricity	1,591,356	–	1,591,356
Water	7,758,902	–	7,758,902
Sewerage	1,334,352	–	1,334,352
Mechanical	–	–	–
Water testing	–	–	–
Total	**10,769,977**	**–**	**10,769,977**

2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of significant variances greater than 5% versus Budget
–	–	0%	
–	–	0%	
–	63,646	0%	
–	6,138	0%	
–	–	0%	
–	15,582	0%	
–	–	0%	
–	–	0%	
1,500,000	(1,500,000)	-100.00%	All qualifying expenditure not processed
–	1,591,356	100.00%	
11,305,950	(3,547,048)	-31.37%	All qualifying expenditure not processed
–	1,334,352	100.00%	
795,050	(795,050)	-100.00%	All qualifying expenditure not processed
2,900,000	(2,900,000)	-100.00%	All qualifying expenditure not processed
16,501,000	**(5,731,023)**	**-34.73%**	

APPENDIX F - Unaudited

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 July 2009 (R)	Contributions during the year (R)	Interest on investments (R)
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS			
Municipal Infrastructure Grant (MIG)	20,221,161	19,645,000	–
Municipal Systems Infrastructure Grant (MSIG)	–	735,000	–
Financial Management Grant (FMG)	233,000	750,000	–
Operation Hlasela (Net)	–	9,092,789	–
Total	**20,454,161**	**30,222,789**	**–**
UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS			
District Mun Surplus Funds	–	–	–
Total	**–**	**–**	**–**
Total Receipts	**20,454,161**	**30,222,789**	**–**

Municipal Infrastructure Grant (MIG)
DORA - National Treasury — Upgrading of infrastructure

Municipal Systems Infrastructure Grant (MSIG)
DORA - National Treasury — Upgrading of infrastructure

Financial Management Grant (FMG)
DORA - National Treasury — Financial management

Operation Hlasela (Net)
DORA - National Treasury — Community upliftment

Other Income (R)	Operating Expenditure during the year Transfered to Revenue	Capital Expenditure during the year Transfered to Revenue (R)	Balance 30 June 2010 (R)
–	–	9,093,255	30,772,906
–	735,000	–	–
–	983,000	–	–
–	–	–	9,092,789
–	**1,718,000**	**9,093,255**	**39,865,696**
–	–	–	–
–	**–**	**–**	**–**
–	**1,718,000**	**9,093,255**	**39,865,696**

Notes

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